Columbia Gas of Pennsylvania, Inc.
2016 General Rate Case
Docket No. R-2016-2529660
Standard Data Request
GASROR No. 10(Cont.) -23
Volume 3 of 3

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Rate of Return

Question No. GAS-ROR-010:

Please provide copies of all securities analysts' reports relating to the Company and/or its parent issued within the past 2 years.

Response: Columbia Gas of Pennsylvania, Inc.

Columbia Gas of Pennsylvania, Inc. (Company) is a wholly owned subsidiary of NiSource Gas Distribution, Inc. (NGD), which is a subsidiary of NiSource Inc. (Parent). There are no securities analysts reports that relate to the Company or NGD that are separate from such reports relating to the Parent.

Response: NiSource Inc.

Security analysts' reports issued within the past 2 years are attached in Attachment A – Attachment L.

Year	Attachment	Folder Name	Documents Included
2014	A	1Q	Barclays 1Q- 2014 BMO 1Q- 2014 Credit Suisse 1Q- 2014 Hilliard 1Q- 2014 Jeffries 1Q- 2014- Precall KeyBanc 1Q- 2014- Precall Morgan Stanley 1Q- 2014 Morningstar 1Q- 2014 Jeffries Report Initiating Coverage 2Q- 2014 Credit Suisse- 04/22/2014 Morningstar- 03/21/2014
	B	2Q	BMO 2Q- 2014 Citi 2Q- 2014 Credit Suisse 2Q- 2014 Hilliard 2Q- 2014 Jeffries 2Q- 2014- Precall KeyBanc 2Q- 2014- Precall Morgan Stanley 2Q- 2014 MorningStar 2Q- 2014
	C	3Q	BMO 3Q- 2014 Credit Suisse 3Q- 2014- Precall Credit Suisse 3Q- 2014 Hilliard 3Q- 2014 Jeffries 3Q- 2014- Precall KeyBanc 3Q- 2014- Precall Morgan Stanley 3Q- 2014 MorningStar 3Q- 2014 Wolfe 3Q- 2014

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Rate of Return

	D	Post 2014 Investor Day	Barclays- Suspending Rating BMO- Post Investor Day BMO- Pre Investor Day Credit Suisse- Post Investor Day Hilliard- Post Investor Day Jeffries- Pre Investor Day KeyBanc- Post Investor Day KeyBanc- Pre Investor Day Morgan Stanley- Post Investor Day Morgan Stanley- Pre Investor Day MorningStar Wolfe- Post Investor Day
	E	Misc	BMO- Post 2014 AGA Jefferies- Target/Estimate Change KeyBanc- Quick Alert: 02-13-2014 KeyBanc- Quick Alert: 08-12-2014 MorningStar- MLP Optimism US Capital Advisors- Analyst Meeting
2015	F	1Q	BMO 1Q - 2015 Jeffries 1Q - 2015- Precall JP Morgan 1Q -2015 – Postcall KeyBanc 1Q - 2015 - Precall Morningstar 1Q - 2015 Wolfe 1Q – 2015 Postcall
	G	2Q	Barclays 2Q - 2015 Citi 2Q - 2015 Credit Suisse 2Q - 2015 Hilliard 2Q - 2015 Jeffries 2Q - 2015- Precall KeyBanc 2Q - 2015- Precall MorningStar 2Q - 2015 UBS 2Q – 2015 Wolfe Note 2Q – 2015 Wolfe Preview 2Q - 2015
	H	3Q	Barclays 3Q - 2015 Hilliard 3Q - 2015 Jeffries 3Q - 2014- Precall JP Morgan 3Q - 2015 Preview JP Morgan 3Q – 2015 Model Update KeyBanc 3Q - 2015- Precall MorningStar 3Q – 2015 UBS 3Q – 2015 UBS 3Q – 2015 Preview Wolfe 3Q - 2015
	I	4Q	Jefferies 4Q - 2015

Columbia Gas of Pennsylvania, Inc.
Standard Data Request
Rate of Return

	J	Separation	Argus – Post Separation Barclays – Post Separation Credit Suisse – Separation Update Credit Suisse – Post Separation Edward Jones – Post Separation Jefferies – NI and CPPL Model Updates Jefferies – Post Separation JP Morgan – Post Separation JP Morgan – Post Separation Keybanc – Separation Update Keybanc – Note Keybanc – Post Separation Keybanc – Post AGA 2015 Morningstar – Separation Update Morningstar1 – Post Separation Morningstar2 – Post Separation Morningstar – Post AGA 2015 UBS – Separation Update UBS – NI Initiation UBS – Post Separation US Capital – Post Separation US Capital – Post Separation USCA USCA Note Wolfe Wolfe – Separation Update Wolfe – Separation Update Wolfe – Note Wolfe – Note on Dividends Wolfe – Post AGA 2015
	K	Settlement	Barclays TDISC Settlement Approval Note
	L	Misc	Bloomberg 3Q - 2015 Note Citi 2Q – 2015 Note on Dividends Credit Suisse 1Q – 2015 Updated EPS Morningstar 4Q – 2015 YE Note

North American Pipelines BMO Capital Markets

North American Pipelines

May 21, 2014

Carl Kirst, CFA **713-546-9756**
BMO Capital Markets Corp.
carl.kirst@bmo.com

Danilo Juvane, CFA / Leah Jordan, CFA
BMO Capital Markets Corp.
713-546-9741 / 713-546-9707
danilo.juvane@bmo.com/leah.jordan@bmo.com

Industry Rating: Market Perform

Natural Gas IQ: Notes from Miami-AGA Conference

The Natural Gas IQ is aimed at developments in the natural gas infrastructure space, and importantly, the implications for our pipeline equities.

2014 AGA Conference. Perhaps it's the 10% rally in US utility equities year to date, perhaps it's the 17% rally in the 10-year bond market, or perhaps it's just the draw of Miami in spring time after a severely colder than normal winter, but this year's American Gas Association (AGA) conference was certainly better attended then the last several years. We took the opportunity to meet with close to 10 names, including Outperform-rated TransCanada (TRP) and Spectra (SE), as well as Market Perform-rated AGL Resources (GAS), Centerpoint (CNP), National Fuel (NFG), NiSource (NI), Questar (STR), UGI (UGI) and One Gas (OGS, Not Rated). While our incremental take-aways on each are bulleted beginning page 2, we'd also note from a high level a couple of dominant themes that echoed in several of the meetings and investor conversations:

Theme 1—winter demand underscoring greater need for infrastructure. The primary lesson from this winter is the value of firm capacity, particularly, but not solely directed to the Northeast. Several utilities also noted distribution systems reached higher peak-day demand above design capacity, and in some cases greater than what the underlying weather/degree-day data would have suggested. In short, baseline demand appears higher, and this in turn is creating opportunities for additional pipeline capacity/demand services to supply the utility and/or its C&I customers, as well as for new load management/peak-shaving investment; those with particular positive exposure here are AGL and UGI.

Theme 2—M&A. While M&A inquiry is always present at such events to one degree or another, a recent spate of LDC transactions over the last six months done in the healthy 11x-12x EBITDA range, had this topic more front and center than usual. Chatter appears to be high both on possible buyers and sellers. While nothing so developed as becoming a rumor mill, the standard management refrain appears to be a) yes, we're looking/open to acquisitions for the right opportunity, but b) 11-12x EBITDA is too healthy, yet c) given unsuccessful bidders involved in recent transactions may still be in the hunt, M&A multiples (especially in context of 2.5% 10-year Treasury yields) may not be scaling back anytime soon. Potential buyers of assets are CNP, UGI, and AGL; by the same token, of those who have utilities but we believe are not contemplating utility M&A are NI, SE, and OGS.

Gas Industry Snapshot

NYMEX Natural Gas 12-Mo. Strip ($/mmbtu):		$4.50
	Weekly Change	3.3%
	YTD Change	7.6%
NYMEX Crude Oil 12-Mo. Strip ($/bbl):		$98.22
	Weekly Change	1.2%
	YTD Change	2.5%
Natural Gas Liquids (40% ethane, $/gal):		$0.87
Current $ Correlation to Spot Crude Oil		38%
	Weekly Change	0.6%
	YTD Change	-9.7%
Processing Frac-Spread (Gulf Coast, $/gal):		$0.49
	Weekly Change	0.0%
	YTD Change	-18.2%
LNG U.S. Imports (monthly avg, Bcf/d):		0.09
	Monthly Change	-10.0%
	Y-o-Y Change	-50.0%
Natural Gas in Storage (Bcf):		+105 to 1160
	Vs. this week last year	+99 to 1,964
	Vs. this week 5-yr avg	+88 to 2,128
Natural Gas Directed Rig Count:		+3 to 326
	Weekly Change	0.9%
	Y-o-Y Change	-7.9%
Stock Performance: Weekly		
	US Gas Diversifieds	0.9%
	US Gas Utilities	0.9%
	Canadian Pipelines	-0.1%
	Canadian Income	0.0%
	UTY (Philadelphia Utility Index)	-1.6%
	XOP (S&P E&P SPDR)	-1.9%
	OSX (Oil Service Index)	-0.8%
	S&P 500 (SPX)	-1.3%
	10-Year US Treasury Yield	-3.7%
Stock Performance: YTD		
	US Gas Diversifieds	11.2%
	US Gas Utilities	6.2%
	Canadian Pipelines	8.8%
	Canadian Income	12.7%
	UTY (Philadelphia Utility Index)	7.6%
	XOP (S&P E&P SPDR)	8.5%
	OSX (Oil Service Index)	1.2%
	S&P 500 (SPX)	1.3%
	10-Year US Treasury Yield	-17.0%

All data priced as of close May 20, 2014 in US$.
Source: Bloomberg, EIA, Waterborne, Baker Hughes, Platts, Company data.

AGL Resources (GAS, Market Perform, $50 PT)—John Sommerhaulder (CEO), Drew Evans (CFO), Steve Cave (Treasurer), Hank Lingingfelter (EVP, Distribution Operations)

- Reserve Investments in Virginia advance. Recent Virginia legislation allows for AGL to invest in natural gas assets (reserves, pipes) and earn a rate base return. Specifically, AGL is looking to secure 25% (max allowed) of its Virginia supply (via at least two contracts) with producers where AGL would own the reserves and earn on that investment, as well as secure a fixed gas cost for its LDC. Discussions are ongoing, and while we don't expect anything imminent (i.e., day one on July 1), we think a transaction is still possible by year end. Such an investment is small in the grand scheme perhaps, but nonetheless helps secure the targeted 4-6% EPS growth rate; additional leverage could be possible if AGL can translate this opportunity into other jurisdictions (Florida, New Jersey).
- Potential Virginia pipeline investment. AGL is in discussion with Dominion (D, $68.92, Market Perform, covered by Mike Worms) regarding its proposed pipeline extending from Marcellus/Utica production to markets in Virginia and North Carolina, with an estimated in service of late 2018.
- Potential IL pipeline investment. Driven by higher-than-expected peak demand during this past winter's severe weather, AGL is in discussion with Tallgrass (TEP, $36.80, Not Rated) regarding a proposed 75-mile lateral off of REX into northern Illinois in order to serve Nicor. Similar to the Dalton project with WMB, AGL would like to be a shipper as well as own an equity share in the new lateral, which represents upside. We anticipate an announcement by early 2015.
- A longer-term investment opportunity is LNG peaking in Florida, which is needed concurrently with the in service of SE's Sable Trail (expected May 2017) to balance the load and provide system reliability, noting storage is not accessible/practical. For the entire market, the total investment need is ~$500mm (multiple trains, tanks), and AGL could get a portion of that given its experience with LNG peaking in Georgia and Tennessee. No specific project is known yet, but AGL remains in active discussions, noting all Florida LDCs need to be aligned.
- AGL remains interested in future M&A, although it does not see attractive deals at current multiples, affirming its prudence.

CenterPoint Energy (CNP, Market Perform, $26 PT)—Scott Prochazska (CEO), Gary Whitlock (CFO), Joe McGoldrick (EVP, Gas), Scott Doyle (SVP, Regulatory Affairs)

- Oncor M&A remains on the watch list. With bankruptcy proceedings for Energy Future Holdings currently underway, management reaffirmed its long-known interest in Oncor, if 1) the package included primarily transmission and distribution assets rather than non-core assets, and 2) it would be accretive to shareholder value (i.e., depends on the multiple). Given only modest operating and back office synergies, current M&A multiples (at least those on the gas side in the 12x EBITDA range) could make such accretion challenging. Importantly, management underscored that regulators viewed the potential for broader standardization of T&D services across ERCOT as a positive, and it expected minimal regulatory pushback from its potential increase in ERCOT market share, which we understand could reach 80% of the Texas T&D market, pro forma.
- ERCOT transmission. CNP is currently in discussions with regulators to purse a $600 million project within its CEHE service territory. While ERCOT is currently pushing for a 50/50 joint venture with a partner, CNP believes it has adequate justification to be awarded the full project. A decision on the project's ultimate ownership split will be made sometime in July, with a decision to construct sometime in 2015. This project is in addition to the company's $6B budget outlook.
- Dividend policy. Management reaffirmed its dividend will be bolstered by 90%-100% of Enable Midstream cash flows and 60%-70% of utility earnings. While a more fulsome dividend policy

will be articulated at its June 30 analyst day, management stated it would likely provide a range of growth for its five-year budget horizon. As we have stated previously, we believe CNP can sustain an 8% dividend CAGR, the midpoint of our estimated 6%-10% range.

- Minnesota rate case update. As part of its recent rate case within the Minnesota LDC jurisdiction, CNP recently received ALJ approval for $17 million rate increase versus its initial $29 million request; we have modeled in $23 million, creating a penny drag to expectations. Also of note, CNP was awarded three-years of volume decoupling to commence in July of 2015, which should eliminate the need to enter into weather hedging, with roughly the same level of protection.

National Fuel Gas (NFG, Market Perform, $75 PT)—Ron Tanski (CEO), Dave Bauer (CFO), Anna Marie Cellino (President, LDC), John McGinnis (SVP, Seneca)

- Corporate restructure. NFG reiterated that while its board remains open to ideas, its integrated model (highlighting a host of operational and financial synergies between its LDCs and other businesses) has created tangible value over the years. Our own view is that given its utility history, we don't expect any change in the company's structure, beyond the eventual creation of an MLP.
- Marketed capacity. NFG stated it has received significant marketer interest for its 190 mmcf/d of capacity on the Atlantic Sunrise project. The company is currently evaluating several offers on a portion of the capacity that could serve as a bridge (likely on a portion of the committed capacity) to protect basis in 2016 (and possibly even 2015) with hopes of finalizing agreements soon.
- EDA basis outlook. With respect to its outlook on EDA basis, management believes that fear of even small outages causing significant ripple effects on price is the primary reason marketers around central Marcellus (Leidy) are offering significant basis discounts, and as such, NFG has faced challenges in locking in basis contracts longer than a month. While management believes that Atlantic Sunrise and the proposed Dominion pipeline will ultimately provide basis relief to the east, this is unlikely to come to pass before 2018.
- WDA basis outlook. On WDA basis, NFG expects Dawn to trade roughly at parity to NYMEX (as do we) within the next three to five years as new supply comes into the Canadian market, particularly as the larger REX reversal and proposed NEXUS come into fruition. Importantly, management stated it was amenable to $0.50/mcf discount to NYMEX to flow its production west on REX, but less willing to pay discounts up to $1/mcfe that come with newer, greenfield pipelines.

NiSource (NI, Market Perform, $36 PT)—Bob Skaggs (CEO), Steve Smith (CFO), Glen Kettering (Pipeline CEO), Joseph Hamrock (Gas Distribution CEO), Jim Stanley (NIPSCO CEO)

- We still anticipate an MLP announcement in 3Q14, likely in conjunction with its September analyst day. Given the robust amount of work done over the years, we would also not be surprised to see a concurrent S1 filing once the green light is given. While the SEC review is always a wildcard, we believe this sets up a possible IPO timing in 1Q15, a few months earlier than expected. As we've outlined in the past, we anticipate any such move would be small initially, perhaps with annual EBITDA in the $50-75mm range, or ~10% of the $600-$700mm total EBITDA from qualifying assets. But, through asset drop downs and organic growth projects (below), the MLP could hypothetically grow distributions at a 15-20% CAGR. The formation of an MLP would forego NI's ~$300mm equity need in 3Q15 as well as create the primary equity funding vehicle for NI going forward; as such, NI would also likely turn off its DRIP.
- The proposed Leach and Rayne expansion projects continue to progress well. We still anticipate firm contracts and an official announcement detailing the projects around late summer/early fall,

setting the stage for 4Q17 in service. Although cost assessments are ongoing, the combined projects could exceed our previous $1.5B estimate (majority for Leach), further strengthening our $2/sh NAV add (included in our $36 price target). Given the strong demand for the projects (3-4x oversubscribed in the non-binding open season), anticipated contract terms range 15-20 years for the 1.5 Bcf/d of capacity at the header (Leach) and 800-900 mmcf/d to the Gulf (Rayne).

- WB Express continues to develop with likely gas flows becoming clearer. While in a very nascent stage, sourcing gas from the middle of West Virginia WB Express is targeting ~800 mmcf/d of westward flow (potentially to Leach) and ~500 mmcf/d going east (potentially to Transco among others) with an estimated 4Q18 in service. Given only right of way work (e.g., looping, compression) is needed, WB Express should cost much less than Leach/Rayne; we estimate ~$1B, or an incremental ~$1/sh, which is upside to our valuation. Although the project is commercially coming together faster than anticipated, firm contracts and an official project announcement are still not likely until 4Q14.
- More midstream investments to come. While we still anticipate another phase of the Pennant Midstream JV with Hilcorp, we note NI is in discussion with other Utica producers in the area that could lead to additional midstream investments in and out of the Pennant Midstream JV. Each project would likely be in the $100mm-$300mm range, which would continue to strengthen NI's long term 5-7% EPS CAGR.

Questar (STR, Market Perform, $25 PT)—Ron Gibson (CEO), Kevin Hadlock (CFO), Craig Wagstaff (COO, Questar Gas), Allen Bradley (CEO, Pipes)

- CNG catching investor attention. Management noted increased investor interest in the fledging CNG fueling initiative. As well, it also reiterated that growth of this business would continue on a cautious, customer-driven approach supported by contract commitments (or stations anchored by base customers, but then open to the public). To this end, STR expects to maintain its present pace of $25 million in annual spend (~7-8 fueling stations per year), which we expect will translate into a nickel of EPS (~3-4% of earnings power) by 2018.
- Other LDCs also entering CNG business. Interest in CNG related infrastructure has not only gained steam with other LDCs across the nation, but also with various state legislating bodies and utility commissions. In fact, management stated having conversations with various utilities trying to leverage STR's 25 years of experience in the CNG business to implement a similar model, albeit under a regulated framework.
- Southern Trails repurpose tracking as expected. The Inland Express joint venture with Spectra continues to advance. Refiners remain supportive of the project, but we expect won't sign contracts until a loading facility is permitted and approved (i.e., project certainty). To this end, STR expects to make a decision on a site soon, followed by biological assessments and filing in the next couple of months (although that time frame could be tight). Coupled with commercial commitments, still targeted by year end 2014, the project remains targeted for in service late 2016.

Spectra Energy (SE, OP, $40 PT)—Pat Reddy (CFO)

- Positive bias to future dividend growth. Management reaffirmed its intent to grow its annual dividend at least $0.12 per annum. Higher growth above the implied 9%/yr could be possible if assets continue to perform at a higher than expected rate (e.g., of the $175mm SE beat 2013 guidance, roughly 50% was due to weather and commodity prices, while 50% was due to higher sustainable asset performance), or if NGL prices find a new baseline in their current $0.95/gal range, then a moderate bump to the long term growth rate remains a distinct possibility.

- Nexus is still in the running. The three utilities backstopping Nexus account for ~50% of capacity, and while as an organic pipeline the rate is greater than some of the re-plumbing brownfield expansions, market diversification remains important (especially to a high storage area like Dawn), and management notes that in getting close with a couple of large producers, it remains on track to commercially securing this project by year end.
- BC midstream opportunity. SE continues to target \$1-\$1.5B in midstream growth opportunity beginning in 2015; while the company is specifically chasing non-LNG linked producers, should Petronas achieve a final investment decision (FID) on its LNG project by year end as it has publicly indicated, then that event would greatly de-risk this level of investment being targeted (versus adding to the likely 2015 spend).
- SE is assessing a pipeline expansion into the mid-Atlantic. Two utilities (DUK/PNY) have an RFP for additional capacity into the North Carolina market. We estimate such a project would likely mimic Sabal Trail in size, implying a project cost north of \$3B to deliver an incremental 1 Bcfd of capacity. Such a competitive process is likely to be dominated by those that can leverage assets around the region, namely Spectra, Williams (WMB) and Dominion (D), with a joint-venture (including shippers) definitely a possibility.

TransCanada (TRP, OP, \$40 PT)—Karl Johannson (President of Natural Gas Pipelines)

- MLP drop downs still expected. TRP's MLP, TC Pipelines, remains a prime financing vehicle, and while the delay of XL has pushed back the timing of asset drops (speaking to the timing of use of proceeds aligning with cap ex), with a total portfolio of C\$38B such drops are just a matter of time we think. We expect the next asset package (\$500mm-\$1B) in likely late 2014/early 2015, and if XL does get approval at year end as we believe, we think TRP could engage in 1-2 asset drops per year the next 3-4 years.
- Great Lakes is expected to recover partially, but big test may not be until winter 2016/2017. The recent contracting of ANR and the movement of some Marcellus volumes north could help Great Lakes, but the single dynamic most likely to spark a return to profitability is the debottlenecking of the Dawn market into Canada. This would in effect allow for more Canadian gas to flow south into Great Lakes before heading back into Canada. While the King's North expansion will come into service 4Q15, contracts in place keeping Canadian volume going "over the top" are in place through late 2016, thus implying Great Lakes is not likely to see a true vibrant winter market until 2016/2017.
- Next gas pipe expansion is looking to Chicago. Given NGPL at peak capacity this past winter, TRP is seeking to expand ANR's capacity into Chicago. That said, should the market not prove ready, we expect the company to start assessing a second major expansion down to the Gulf Coast (in effect making both of its trunklines from the Gulf of Mexico bidirectional).
- Mexico to see additional growth opportunity. There are approximately 5 projects being bid, both on the US and Mexican side of the border. While TRP is unlikely to bid for all five, projects that are next to TRP assets make sense, and we see them as the natural bidder on at least two new pipelines, one of which could be known this Sep/Oct. A larger prize may be the potential to become involved in liquids pipelines depending on how energy deregulation unfolds, which heretofore had been solely the realm of PEMEX.

UGI Corp. (UGI, Market Perform, \$45 PT)—John Walsh (CEO), Kirk Oliver (CFO), Bob Beard (Utility CEO), Dan Platt (Treasurer)

- Rebounding natural gas demand. UGI reiterated that the strength of natural gas demand is on the upswing, driven by the confluence of residential conversions along with small and large commercial growth. This increased demand is under-appreciated by the market, and will likely result in ongoing price volatility in the 2014/2015 heating season (albeit not to the same degree), which will in turn spur support for additional Marcellus infrastructure takeaway solutions.

- Long-haul pipelines remain a priority. Although UGI continues to evaluate additional opportunities to grow its Marcellus gathering presence, management underscored that given the opportunities they are seeing, building a long-haul pipeline remains a strategic priority. The Marcellus area will see significant debottlenecking projects over the next several years, but UGI sees a long-term window of opportunity for multiple pipeline solutions. That said, management emphasized it will continue to stick with a disciplined approach prior to advancing a proposal.
- Majority of utility gas already being sourced from the Marcellus; regulators supportive. While not all directly connected, UGI is now sourcing approximately 70% of its gas supply needs from the Marcellus. Given the abundance of regional gas supplies, UGI believes that regulators are not only agnostic to the LDC's use of directly connected Marcellus supply, but that the leverage of shale economics and benefit to rate payers of cheaper gas make them supportive to doing more.
- Utility M&A remains on the table. Management expressed interest in continuing to expand its LDC presence through the acquisition of a Mid-Atlantic utility. Notably, UGI in the past has had a history of paying healthy multiples (as seen from the outside), but in making the acquisitions work to plan through successful integration; as such, we believe currently high take-out multiples would not be a deterrent if it found enough value within the opportunity.

Table of Contents

Company Data & Valuation

Exhibit 1: North American Pipelines Coverage Universe

Company	Ticker	FYE	Rating	Price Target	Price 05/20/14	Shares O/S (mm)	Market Cap (mm)	Enterprise Value (mm)	Indicated Dividend $	Indicated Dividend 2015e EPS Payout	Yield	Net Tot Debt/ Cap	S&P Rating	Potential Price Appr	Indicated Div Yield	Potential Total Return
BMO North American Pipeline Coverage Universe																
U.S. Commodity Sensitive																
National Fuel Gas Company	NFG	Sep	MKT	$75	75.10	84.0	$6,309	$7,934	$1.50	48.2%	2.0%	38.4%	BBB	-0.1%	2.0%	1.9%
Oneok Inc.	OKE	Dec	MKT	$66	63.21	207.9	$13,139	$20,671	$2.24	123.6%	3.5%	72.2%	BB+	4.4%	3.5%	8.0%
Spectra Energy	SE	Dec	OP	$42	39.69	670.7	$26,619	$41,116	$1.34	78.8%	3.4%	56.4%	BBB	5.8%	3.4%	9.2%
Williams Cos	WMB	Dec	OP	$46	46.33	685.5	$31,760	$48,761	$1.70	110.9%	3.7%	69.7%	BBB-	-0.7%	3.7%	3.0%
Average										**90.4%**	**3.1%**	**59.2%**		**2.3%**	**3.1%**	**5.5**
U.S. Gas Utilities																
AGL Resources Inc	GAS	Dec	MKT	$50	52.29	119.3	$6,236	$10,464	$1.88	61.3%	3.6%	53.8%	A-	-4.4%	3.6%	-0.8%
CenterPoint Energy	CNP	Dec	MKT	$26	23.64	429.7	$10,159	$15,178	$0.95	78.8%	4.0%	59.5%	A-	10.0%	4.0%	14.0%
NiSource Inc	NI	Dec	MKT	$36	36.69	314.9	$11,553	$21,030	$0.96	54.3%	2.6%	60.3%	BBB-	-1.9%	2.6%	0.7%
Questar Corp	STR	Dec	MKT	$25	23.52	175.1	$4,119	$5,731	$0.72	56.7%	3.1%	55.7%	A	6.3%	3.1%	9.4%
UGI Corp.	UGI	Sep	MKT	$45	47.81	115.1	$5,502	$8,894	$1.13	36.7%	2.4%	58.4%	A-	-5.9%	2.4%	-3.5%
Average										**57.6%**	**3.1%**	**57.6%**		**0.8%**	**3.1%**	**4.0**
Canadian Pipes*																
Enbridge Inc.	ENB	Dec	OP	$57	52.10	834.6	$43,482	$82,280	$1.40	65.0%	2.7%	65.1%	A-	9.4%	2.7%	12.1%
TransCanada Corp.	TRP	Dec	OP	$57	51.09	707.7	$36,157	$66,482	$1.92	75.0%	3.8%	55.1%	A-	11.6%	3.8%	15.3%
Average										**70.0%**	**3.2%**	**60.1%**		**10.5%**	**3.2%**	**13.7**
Canadian Income*																
AltaGas	ALA	Dec	OP	$50	48.50	122.9	$5,963	$9,838	$1.50	67.9%	3.1%	48.2%	BBB	3.1%	3.1%	6.2%
Enbridge Income Fund	ENF	Dec	MKT	$27	27.13	56.5	$1,533	$1,533	$1.34	118.5%	4.9%	0.0%	-	-0.5%	4.9%	4.4%
Gibson Energy	GEI	Dec	OP	$34	30.85	123.0	$3,796	$4,665	$1.20	90.7%	3.9%	37.6%	-	10.2%	3.9%	14.1%
Inter Pipeline	IPL	Jan	OP	$31	30.22	320.3	$9,678	$13,829	$1.29	85.7%	4.3%	65.5%	BBB+	2.6%	4.3%	6.8%
Keyera	KEY	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Pembina Pipeline Corp	PPL	Dec	MKT	$46	44.45	319.8	$14,214	$17,385	$1.74	123.5%	3.9%	35.6%	BBB	3.5%	3.9%	7.4%
Valener	VNR	Sep	MKT	$17	15.69	38.0	$596	$761	$1.00	95.2%	6.4%	-1.9%	BBB+	8.3%	6.4%	14.7%
Veresen	VSN	Dec	MKT	$17	16.43	219.5	$3,606	$5,023	$1.00	395.3%	6.1%	45.7%	BBB	3.5%	6.1%	9.6%
Average										**139.5%**	**4.6%**	**33.0%**		**4.4%**	**4.6%**	**9.0**

Source: BMO Capital Markets estimates, Company Data.

Exhibit 2: BMO North American Pipeline Comparative Valuation - Estimates

		Price	Dividend	Operating EPS				Operating CFPS				EBITDA				Estimate ROE			
Company	**Ticker**	**05/20/14**	**Yield**	**2013A**	**2014E**	**2015E**	**2016E**	**2013A**	**2014E**	**2015E**	**2016E**	**2013A**	**2014E**	**2015E**	**2016E**	**2013A**	**2014E**	**2015E**	**2016E**
BMO North American Pipeline Coverage Universe																			
U.S. Commodity Sensitive																			
National Fuel Gas Company	NFG	75.10	2.0%	$3.14	$3.42	$3.11	$3.11	$9.27	$9.90	$9.91	$11.19	$845	$988	$1,038	$1,171	12.1%	12.3%	10.9%	10.6%
Oneok Inc.	OKE	63.21	3.5%	$1.76	$1.68	$1.81	$1.81	$3.92	$2.69	$2.62	$2.80	$1,625	$1,626	$1,798	$1,798	15.8%	35.6%	26.7%	33.6%
Spectra Energy	SE	39.69	3.4%	$1.64	$1.67	$1.70	$1.85	$3.35	$3.48	$3.33	$3.47	$3,367	$3,196	$3,351	$3,623	12.9%	11.3%	11.2%	11.9%
Williams Cos	WMB	46.33	3.7%	$0.81	$1.16	$1.53	$2.11	$2.87	$3.24	$4.44	$4.99	$2,769	$3,320	$4,292	$4,911	11.5%	17.3%	22.3%	30.0%
Average			**3.1%**													**13.1%**	**19.2%**	**18.3%**	**21.6%**
U.S. Utilities																			
AGL Resources Inc	GAS	52.29	3.6%	$2.64	$4.39	$3.06	NM	$6.39	$7.62	$6.67	NM	$1,104	$1,259	$1,172	NM	8.8%	13.6%	9.2%	N/A
CenterPoint Energy	CNP	23.64	4.0%	$1.20	$1.18	$1.20	$1.21	$3.39	$3.69	$3.89	$4.00	$1,499	$1,804	$1,773	$1,787	11.9%	11.5%	11.5%	11.4%
NiSource Inc	NI	36.69	2.6%	$1.57	$1.69	$1.77	NM	$4.37	$4.45	$4.25	NM	$1,740	$1,933	$2,037	NM	8.6%	8.8%	8.9%	N/A
Questar Corp	STR	23.52	3.1%	$1.21	$1.26	$1.27	$1.32	$2.83	$2.52	$2.60	$2.67	$429	$612	$621	$643	17.8%	17.3%	16.5%	16.2%
UGI Corp.	UGI	47.81	2.4%	$2.44	$3.02	$3.08	$3.01	$4.77	$5.73	$5.55	$5.52	$1,197	$1,352	$1,334	$1,317	7.6%	9.3%	9.7%	10.2%
Average			**3.1%**													**10.9%**	**12.1%**	**11.2%**	**12.6%**
Canadian Pipes*																			
Enbridge Inc.	ENB	52.10	2.7%	$1.78	$1.91	$2.15	$2.38	$4.42	$5.00	$5.02	$5.01	$4,269	$5,030	$5,719	$6,038	17.4%	16.9%	17.5%	17.6%
TransCanada Corp.	TRP	51.09	3.8%	$2.24	$2.50	$2.56	$2.68	$5.65	$5.76	$5.57	$5.71	$4,793	$5,524	$5,475	$5,651	9.7%	10.6%	10.5%	10.8%
Average			**3.2%**													**13.6%**	**13.8%**	**14.0%**	**14.3%**
Canadian Income*																			
AltaGas	ALA	48.50	3.1%	$1.51	$1.77	$2.21	$2.15	$3.35	$3.84	$4.66	$4.32	$499	$609	$720	$728	8.2%	9.6%	11.7%	11.2%
Enbridge Income Fund	ENF	27.13	4.9%	$1.55	$1.13	$0.74	$0.75	$1.56	$1.46	$1.37	$1.30	$91	$92	$93	$95	6.6%	4.4%	3.0%	3.1%
Gibson Energy	GEI	30.85	3.9%	$1.06	$1.11	$1.32	NM	$2.85	$2.64	$3.10	NM	$427	$446	$499	NM	6.4%	6.0%	7.1%	N/A
Inter Pipeline	IPL	30.22	4.3%	$1.05	$1.17	$1.51	$1.43	$1.65	$1.85	$2.52	$2.47	$1,089	$754	$972	$1,029	12.6%	12.8%	15.6%	15.1%
Keyera	KEY	75.43	3.4%	$1.87	$2.79	$3.27	$3.57	$4.55	$5.15	$6.50	$6.99	$407	$508	$585	$625	15.9%	22.5%	25.3%	26.3%
Pembina Pipeline Corp	PPL	44.45	3.9%	$1.12	$1.28	$1.41	$1.76	$2.36	$2.35	$2.55	$3.07	$832	$985	$1,090	$1,349	7.2%	8.2%	8.8%	10.5%
Valener	VNR	15.69	6.4%	$0.89	$1.04	$1.05	$1.02	$1.16	$1.00	$1.13	$1.10	$46	$56	$61	$60	5.6%	6.4%	6.5%	6.3%
Veresen	VSN	16.43	6.1%	$0.26	$0.29	$0.25	$0.25	$1.04	$1.09	$1.11	$1.06	$297	$311	$308	$309	5.5%	5.4%	5.6%	6.6%
Average			**4.5%**													**8.5%**	**9.4%**	**10.4%**	**11.3%**

Source: BMO Capital Markets estimates, Company Data.

Exhibit 3: BMO North American Pipeline Comparative Valuation – Metrics

		P/E				TEV/EBITDA				P/CFPS				Distributable Cash Flow Yield**			
Company	Ticker	2013A	2014E	2015E	2016E	2013A	2014E	2015E	2016E	2013A	2014E	2015E	2016E	2013A	2014E	2015E	2016E
BMO North American Pipeline Coverage Universe																	
U.S. Commodity Sensitive																	
National Fuel Gas Company	NFG	23.9x	22.0x	24.1x	24.2x	9.3x	8.1x	8.1x	7.6x	8.1x	7.6x	7.6x	6.7x	8.6%	8.0%	6.1%	5.5%
Oneok Inc.	OKE	35.9x	37.7x	34.9x	34.9x	12.8x	12.8x	12.1x	12.5x	16.1x	23.5x	22.4x	22.6x	3.5%	4.3%	4.5%	4.9%
Spectra Energy	SE	24.2x	23.8x	23.3x	21.4x	12.2x	12.9x	12.4x	11.7x	11.9x	11.4x	11.9x	11.4x	4.7%	5.1%	4.5%	4.5%
Williams Cos	WMB	56.8x	40.0x	30.2x	21.9x	16.5x	14.7x	12.0x	10.9x	16.1x	14.3x	10.4x	9.3x	4.9%	4.4%	5.7%	7.4%
Average		**35.2x**	**30.8x**	**28.1x**	**25.6x**	**12.7x**	**12.1x**	**11.2x**	**10.7x**	**13.1x**	**14.2x**	**13.1x**	**12.5x**	**5.4%**	**5.4%**	**5.2%**	**5.6%**
U.S. Utilities																	
AGL Resources Inc	GAS	19.8x	11.9x	17.1x	NM	9.6x	8.3x	9.1x	NM	8.2x	6.9x	7.8x	NM	5.5%	8.3%	6.5%	NM
CenterPoint Energy	CNP	19.8x	19.9x	19.6x	19.5x	10.0x	8.4x	8.7x	8.7x	7.0x	6.4x	6.1x	5.9x	8.7%	10.7%	11.6%	12.1%
NiSource Inc	NI	23.3x	21.7x	20.7x	NM	11.4x	10.9x	10.8x	NM	8.4x	8.2x	8.6x	NM	7.6%	7.8%	7.2%	NM
Questar Corp	STR	19.4x	19.0x	18.5x	17.9x	13.0x	9.6x	9.6x	9.5x	8.3x	9.5x	9.3x	9.1x	7.8%	6.4%	6.6%	7.0%
UGI Corp.	UGI	19.6x	15.8x	15.5x	15.9x	7.4x	6.6x	6.5x	6.4x	10.0x	8.3x	8.6x	8.7x	5.3%	6.2%	8.6%	8.3%
Average		**20.4x**	**17.7x**	**18.3x**	**17.7x**	**10.3x**	**8.8x**	**8.9x**	**8.2x**	**8.4x**	**7.9x**	**8.1x**	**7.9x**	**7.0%**	**7.9%**	**8.1%**	**9.1%**
Canadian Pipes*																	
Enbridge Inc.	ENB	29.3x	27.3x	24.2x	21.8x	16.6x	16.3x	15.7x	15.1x	11.8x	10.4x	10.4x	10.4x	5.4%	6.6%	6.6%	6.7%
TransCanada Corp.	TRP	22.8x	20.4x	20.0x	19.0x	13.1x	12.1x	12.6x	12.5x	9.0x	8.9x	9.2x	8.9x	9.4%	9.6%	9.2%	9.5%
Average		**26.0x**	**23.9x**	**22.1x**	**20.4x**	**14.8x**	**14.2x**	**14.1x**	**13.8x**	**10.4x**	**9.7x**	**9.8x**	**9.7x**	**7.4%**	**8.1%**	**7.9%**	**8.1%**
Canadian Income*																	
AltaGas	ALA	32.0x	27.4x	21.9x	22.6x	18.5x	16.3x	13.7x	13.4x	14.5x	12.6x	10.4x	11.2x	6.2%	7.2%	8.8%	8.1%
Enbridge Income Fund	ENF	17.5x	24.1x	36.8x	36.0x	16.6x	16.7x	16.5x	16.2x	17.4x	18.5x	19.8x	20.8x	5.7%	5.4%	5.0%	4.8%
Gibson Energy	GEI	29.1x	27.7x	23.3x	NM	10.3x	10.7x	9.7x	NM	10.8x	11.7x	10.0x	NM	7.4%	6.8%	8.2%	NM
Inter Pipeline	IPL	26.8x	25.7x	20.1x	21.1x	11.3x	18.6x	14.5x	13.5x	18.3x	16.3x	12.0x	12.2x	5.1%	5.8%	8.0%	7.8%
Keyera	KEY	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Pembina Pipeline Corp	PPL	39.8x	34.8x	31.6x	25.3x	19.4x	18.0x	18.1x	15.5x	18.9x	18.9x	17.4x	14.5x	5.2%	5.2%	5.6%	6.8%
Valener	VNR	17.6x	15.1x	14.9x	15.4x	16.0x	13.6x	12.4x	12.6x	13.5x	15.6x	13.9x	14.3x	7.6%	7.3%	7.2%	7.0%
Veresen	VSN	63.3x	56.8x	65.0x	66.3x	16.2x	16.2x	16.3x	16.2x	15.8x	15.0x	14.9x	15.5x	6.2%	6.4%	6.5%	6.2%
Average		**32.6x**	**30.2x**	**30.5x**	**31.1x**	**15.5x**	**15.7x**	**14.5x**	**14.6x**	**15.6x**	**15.5x**	**14.1x**	**14.8x**	**6.2%**	**6.3%**	**7.1%**	**6.8%**

* All Data in C$ unless otherwise indicated
** Operating cash flow less maintenance capital; shareholder cash available for dividend or growth reinvestment

INDUSTRY COMPS																	
Industry Comps																	
U.S. Commodity Sensitive																	
Average		41.6x	23.6x	21.0x	17.5x	12.5x	10.0x	8.8x	7.8x	13.1x	9.2x	7.7x	7.1x				
U.S. Gas Utilities																	
Average		18.7x	16.9x	16.3x	15.3x	9.3x	9.3x	8.2x	7.6x	8.9x	6.2x	8.9x	8.0x				
U.S. Master Limited Partnerships																	
Average		28.8x	22.6x	21.0x	19.8x	11.6x	9.1x	8.3x	7.5x	10.9x	11.1x	11.0x	9.3x				
U.S. Regulated Electric Utilities																	
Average		16.7x	15.6x	15.0x	14.3x	8.6x	8.1x	7.6x	7.3x	6.9x	7.5x	7.2x	6.9x				
Canadian Income*																	
Average		0.0x	13.9x	19.9x	26.0x	10.6x	12.8x	13.6x	24.4x	4.3x	13.5x	13.6x	23.3x				
Other Canadian Pipelines & Utility*																	
Average		46.5x	31.4x	24.7x	27.2x	9.2x	7.7x	7.1x	6.0x	9.1x	7.6x	7.0x	N/A				

Source: BMO Capital Markets estimates, Company Data.

Exhibit 4: N. America Pipeline Short Interest

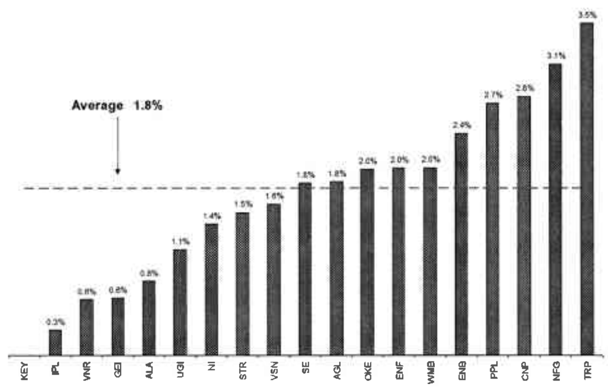


Exhibit 5: N. America Pipeline Days To Cover

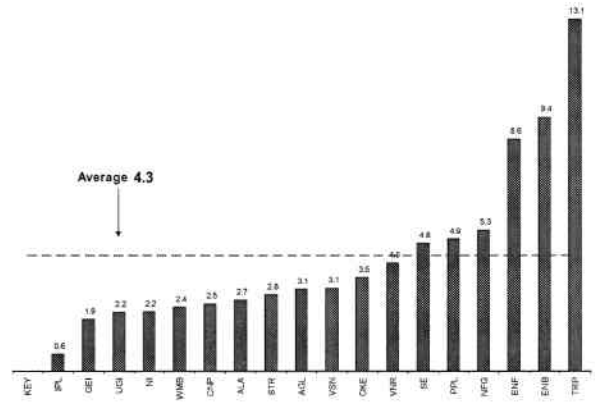


Exhibit 6: 2-Week Absolute Change in SI

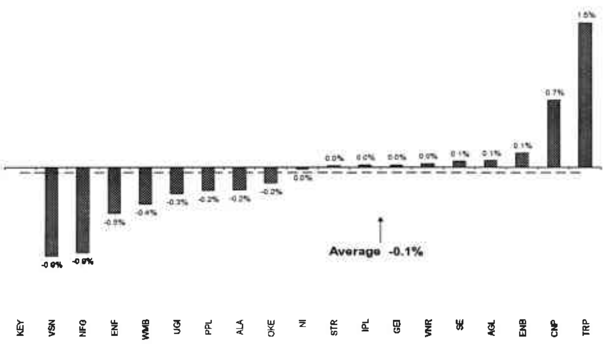


Exhibit 7: 2-Week Absolute Change in Days

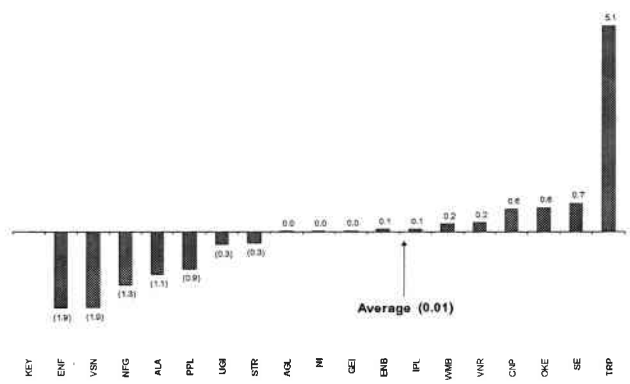


Exhibit 8: 2-Week Relative Change in SI

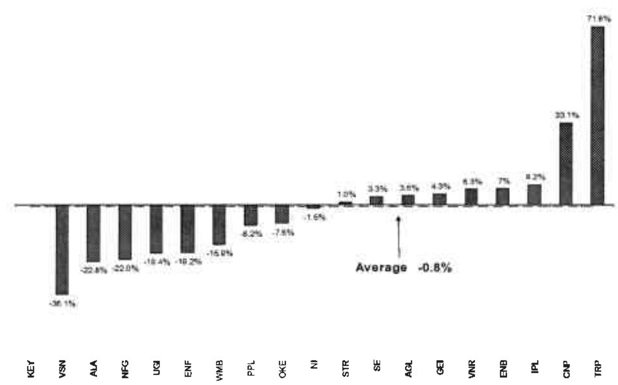
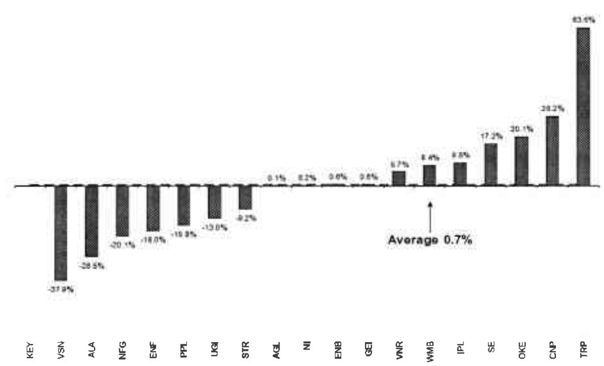


Exhibit 9: 2-Week Relative Change in Days



Source: BMO Capital Markets estimates, Bloomberg.

* Last available update: May 20, 2014. Short interest is defined as absolute short volume divided by public float.

Earnings

Exhibit 10: BMO Capital Estimates vs. Consensus

	2013A	2014E 1Q	2014E 2Q	2014E 3Q	2014E 4Q	2014E	2015E	Year-Over-Year Growth '13 vs.'14	Year-Over-Year Growth '14 vs.'15
U.S. Commodity Sensitive									
NFG	$3.14	$0.92	$1.15	$0.70	$0.64	$3.42	$3.11	8.8%	-9.1%
Consensus				*$0.75*	*$0.63*	*$3.42*	*$3.57*	*8.9%*	*4.3%*
OKE	$1.76	$0.42	$0.35	$0.44	$0.47	$1.68	$1.81	-4.7%	8.0%
Consensus			*$0.38*	*$0.41*	*$0.47*	*$1.64*	*$2.01*	*-6.7%*	*19.9%*
SE	$1.64	$0.62	$0.31	$0.31	$0.43	$1.67	$1.70	1.9%	2.0%
Consensus			*$0.31*	*$0.29*	*$0.39*	*$1.55*	*$1.63*	*-5.5%*	*-2.4%*
WMB	$0.81	$0.28	$0.25	$0.31	$0.32	$1.16	$1.53	42.3%	32.2%
Consensus			*$0.25*	*$0.30*	*$0.33*	*$1.12*	*$1.52*	*37.8%*	*31.2%*
U.S. Utilities									
GAS	$2.64	$2.86	$0.41	$0.26	$0.86	$4.39	$3.06	66.2%	-30.1%
Consensus			*$0.41*	*$0.30*	*$0.84*	*$3.91*	*$3.10*	*48.2%*	*-29.4%*
CNP	$1.20	$0.40	$0.21	$0.31	$0.26	$1.18	$1.20	-0.9%	1.7%
Consensus			*$0.26*	*$0.32*	*$0.23*	*$1.19*	*$1.26*	*-0.8%*	*6.1%*
NI	$1.57	$0.82	$0.23	$0.16	$0.48	$1.69	$1.77	7.1%	4.8%
Consensus			*$0.25*	*$0.15*	*$0.50*	*$1.69*	*$1.81*	*7.3%*	*7.3%*
STR	$1.21	$0.48	$0.22	$0.18	$0.37	$1.26	$1.27	3.4%	1.2%
Consensus			*$0.22*	*$0.18*	*$0.37*	*$1.27*	*$1.32*	*4.6%*	*5.3%*
UGI	$2.44	$1.06	$1.90	$0.14	-$0.08	$3.02	$3.08	23.7%	2.0%
Consensus				*$0.17*	*-$0.08*	*$2.93*	*$2.92*	*19.9%*	*-3.5%*
Canadian Pipes*									
ENB	$1.78	$0.60	$0.41	$0.41	$0.50	$1.91	$2.15	7.2%	12.9%
Consensus			*$0.39*	*$0.42*	*$0.56*	*$1.96*	*$2.28*	*10.1%*	*16.7%*
TRP	$2.24	$0.60	$0.56	$0.64	$0.71	$2.50	$2.56	11.6%	2.2%
Consensus			*$0.54*	*$0.64*	*$0.69*	*$2.43*	*$2.55*	*8.6%*	*1.9%*
Canadian Income*									
ALA	$1.51	$0.60	$0.26	$0.35	$0.55	$1.77	$2.21	17.0%	24.8%
Consensus			*$0.25*	*$0.38*	*$0.53*	*$1.69*	*$2.09*	*11.9%*	*18.0%*
ENF	$1.55	$0.38	$0.38	$0.18	$0.18	$1.13	$0.74	-27.5%	-34.5%
Consensus			*$0.38*	*$0.33*	*$0.33*	*$1.33*	*$1.29*	*-14.1%*	*14.5%*
GEI	$1.06	$0.42	$0.12	$0.26	$0.30	$1.11	$1.32	4.9%	18.8%
Consensus			*$0.11*	*$0.27*	*$0.31*	*$1.12*	*$1.20*	*5.4%*	*7.7%*
IPL	$1.05	$0.27	$0.25	$0.32	$0.33	$1.17	$1.51	11.7%	28.3%
Consensus			*$0.38*	*$0.33*	*$0.33*	*$1.33*	*$1.29*	*27.0%*	*9.9%*
KEY	$1.87	$0.70	$0.63	$0.74	$0.72	$2.79	$3.27	49.3%	17.1%
Consensus			*$0.59*	*$0.70*	*$0.79*	*$2.71*	*$3.16*	*45.0%*	*13.4%*
PPL	$1.12	$0.41	$0.25	$0.29	$0.32	$1.28	$1.41	14.3%	10.4%
Consensus			*$0.28*	*$0.30*	*$0.33*	*$1.36*	*$1.45*	*21.7%*	*13.8%*
VNR	$0.89	$0.42	$0.77	$0.00	-$0.19	$1.04	$1.05	16.6%	0.8%
Consensus				*-$0.01*	*-$0.20*	*$0.98*	*$1.02*	*10.1%*	*-1.7%*
VSN	$0.26	$0.10	$0.06	$0.06	$0.07	$0.29	$0.25	11.4%	-12.6%
Consensus			*$0.04*	*$0.04*	*$0.05*	*$0.23*	*$0.26*	*-13.4%*	*-10.1%*

(1) Estimates are Bloomberg Consensus
* All Data in C$ unless otherwise indicated

Source: BMO Capital Markets estimates, Company Data, Bloomberg.

Exhibit 11: EPS Commodity Sensitivity

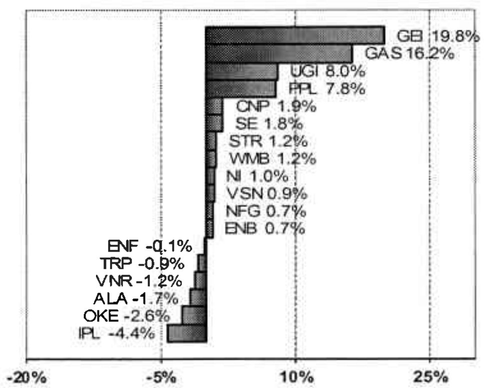
		ALA		IPL		KEY		NFG		OKE		PPL		SE		TRP		VSN		WMB	
Base Case 2014 EPS	*hedged*	**$1.77**		**$1.17**		**R**		**$3.42**		**$1.68**		**$1.28**		**$1.67**		**$2.50**		**$0.29**		**$1.16**	
NATURAL GAS																					
-$1 nat gas ($/MMBtu)	*hedged*	(0.02)	*-1.1%*					(0.33)	*-9.6%*	(0.04)	*-2.4%*	0.10	*7.8%*			(0.14)	*-5.6%*				
	unhedged	(0.14)	*-8.1%*	0.03	*2.6%*			-$0.95	*-36.6%*	(0.05)	*-2.5%*	0.15	*19.7%*	(0.04)	*-2.1%*	(0.25)	*-12.2%*	0.02	*1.9%*	0.09	*8.6*
+$1 nat gas ($/MMBtu)	*hedged*	0.02	*1.1%*					0.33	*9.6%*	0.04	*2.4%*	(0.10)	*-7.8%*			0.14	*5.6%*				
	unhedged	0.14	*8.1%*	(0.03)	*-2.6%*			$0.95	*36.6%*	0.05	*2.5%*	(0.15)	*-19.7%*	0.04	*2.1%*	0.25	*12.2%*	(0.02)	*-1.9%*	-$0.09	*-8.6*
NATURAL GAS LIQUIDS																					
-$.05 NGL ($/gal)	*hedged*	(0.04)	*-2.3%*							(0.02)	*-1.2%*	(0.01)	*-0.8%*								
	unhedged	(0.06)	*-3.5%*	(0.01)	*-0.9%*					(0.02)	*-0.7%*	(0.04)	*-5.3%*	(0.06)	*-3.2%*			(0.01)	*-1.0%*	(0.04)	*-3.8*
+$.05 NGL ($/gal)	*hedged*	0.04	*2.3%*							0.02	*1.2%*	0.01	*0.8%*								
	unhedged	0.06	*3.5%*	0.01	*0.9%*					0.02	*0.7%*	0.04	*5.3%*	0.06	*3.2%*			0.01	*1.0%*	0.04	*3.8*
CRUDE OIL**																					
-$10 OIL ($/Bbl)	*hedged*					R	*R*	(0.06)	*-1.8%*	(0.01)	*-0.6%*										
	unhedged					R	*R*	-$0.19	*-7.5%*	(0.02)	*-1.0%*										
+$10 OIL ($/Bbl)	*hedged*					R	*R*	0.06	*1.8%*	0.01	*0.6%*										
	unhedged					R	*R*	$0.19	*7.5%*	0.02	*1.0%*										

**All unhedged positions shown assume BMO 2014 commodity forecast of $3.85 nat gas, $93.58 oil and $0.99 NGLs.*

Source: BMO Capital Markets estimates, Company Data, Bloomberg.

Exhibit 12: Consensus EPS Revisions – Trailing 4 Weeks

2014E



2015E

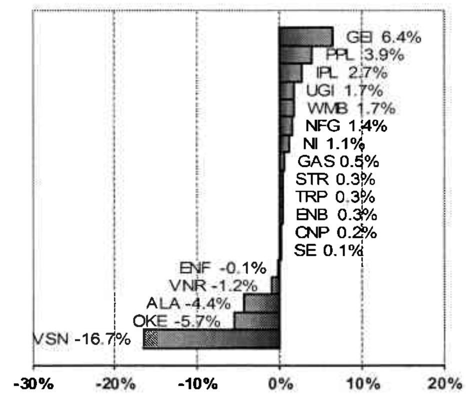
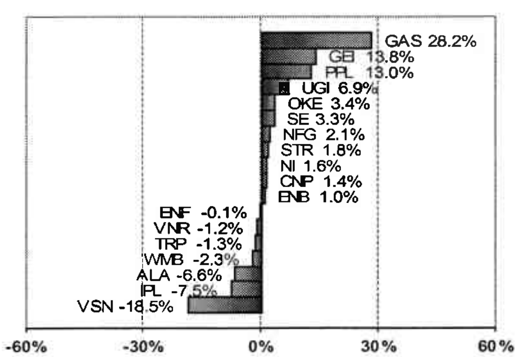
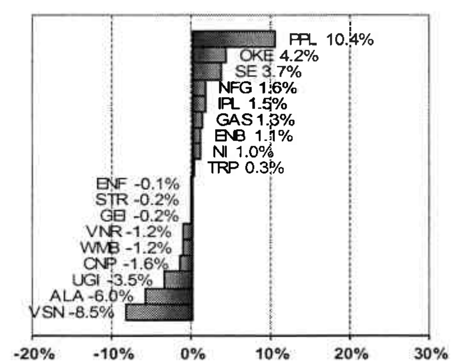


Exhibit 13: Consensus EPS Revisions – Trailing 3 Months

2014E



2015E



Source (all Exhibits): BMO Capital Markets estimates, Company Data, Bloomberg.

Stock Performance

Exhibit 14: 5-Day Performance (May 14 thru May 20)

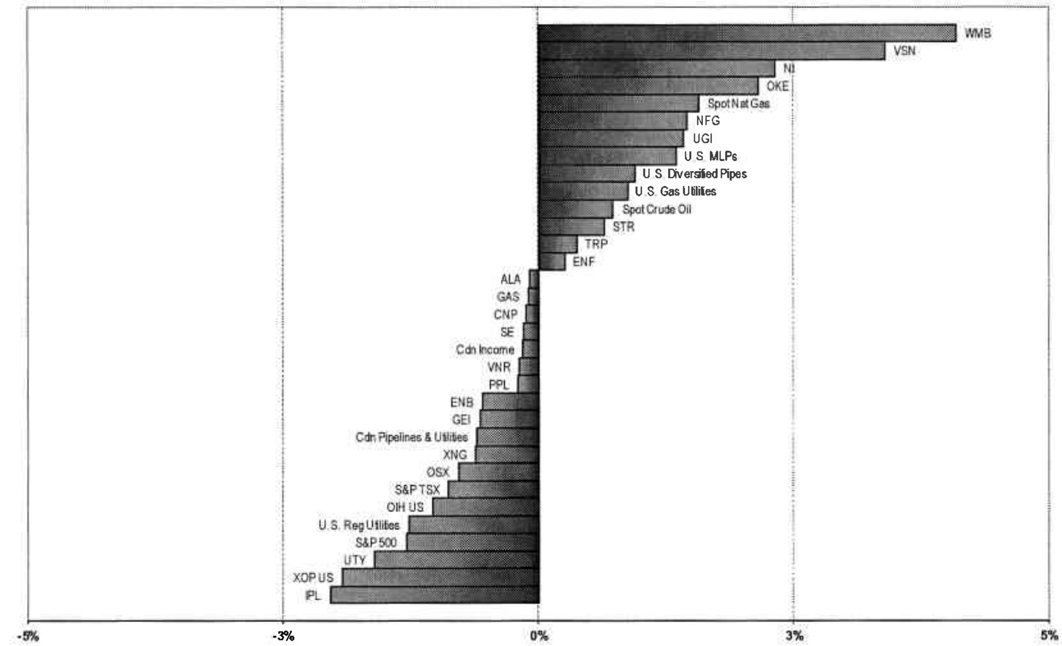
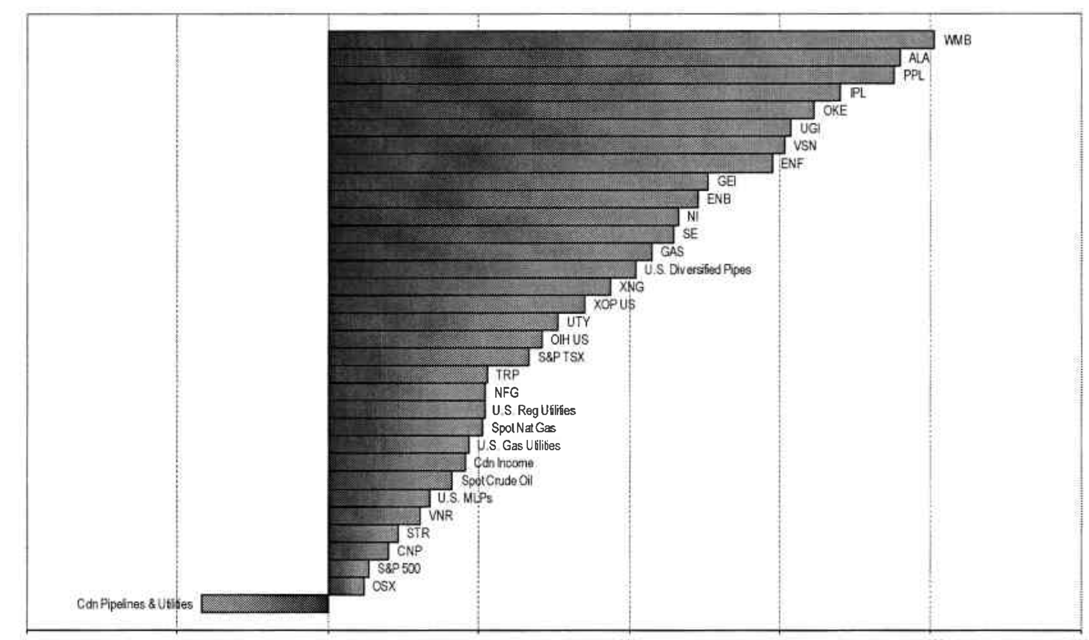


Exhibit 15: Year-to-Date Performance



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 16: Price Performance – United States

				Price Performance****										
	Ticker	Rating	Price	1 Day	5 Day	1 Month	QTD	Three Months	YTD	1 Year	% from 52 Wk High	Date of High	% from 52 Wk Low	Date of Low
BMO North American Pipeline Coverage Universe														
U.S. Commodity Sensitive														
National Fuel Gas Company	NFG	MKT	75.10	0.8%	1.5%	7.3%	7.2%	-1.7%	5.2%	17.5%	-2.5%	2/19/2014	32.1%	6/24/2013
Oneok Inc.	OKE	MKT	63.21	1.6%	2.1%	3.6%	6.7%	3.7%	16.1%	46.1%	-3.2%	5/20/2013	83.3%	7/5/2013
Spectra Energy	SE	OP	39.69	0.2%	-0.2%	0.9%	7.4%	5.2%	11.4%	24.7%	-1.1%	4/30/2014	34.0%	6/6/2013
Williams Cos	WMB	OP	46.33	0.8%	4.1%	10.9%	14.2%	10.3%	20.1%	22.3%	-0.2%	5/20/2014	48.3%	6/24/2013
Average				**0.9%**	**1.9%**	**5.7%**	**8.9%**	**4.4%**	**13.2%**	**27.7%**	**-1.8%**		**49.4%**	
U.S. Utilities														
AGL Resources Inc	GAS	MKT	52.29	0.0%	-0.1%	1.0%	6.8%	12.5%	10.7%	18.5%	-3.5%	5/1/2014	26.1%	6/21/2013
CenterPoint Energy	CNP	MKT	23.64	0.6%	-0.1%	-3.9%	-0.2%	-2.6%	2.0%	-2.6%	-7.8%	8/1/2013	6.4%	6/21/2013
NiSource Inc	NI	MKT	36.69	-0.4%	2.3%	2.1%	3.3%	3.9%	11.6%	23.8%	-1.7%	5/19/2014	35.3%	6/21/2013
Questar Corp	STR	MKT	23.52	0.7%	0.6%	0.1%	-1.1%	-0.8%	2.3%	-9.0%	-9.6%	5/20/2013	9.7%	9/4/2013
UGI Corp.	UGI	MKT	47.81	0.9%	1.4%	4.6%	4.8%	8.8%	15.3%	15.4%	-1.1%	5/8/2014	31.2%	6/21/2013
Average				**0.3%**	**0.8%**	**0.8%**	**2.7%**	**4.3%**	**8.4%**	**9.2%**	**-4.7%**		**21.6%**	
Industry Comps														
U.S. Commodity Sensitive														
Equitable Resources***	EQT	OP	103.12	0.0%	-1.3%	-1.5%	6.3%	3.1%	14.9%	26.6%	-7.5%	4/24/2014	34.0%	6/6/2013
Sempra Energy**	SRE	MKT	97.16	0.1%	-0.5%	0.0%	0.4%	4.6%	8.2%	14.8%	-3.5%	5/8/2014	25.4%	6/21/2013
Average				**0.1%**	**-0.9%**	**-0.7%**	**3.4%**	**3.8%**	**11.6%**	**20.7%**	**-5.5%**		**29.7%**	
U.S. Gas Utilities														
Atmos Energy	ATO	NR	50.43	0.6%	0.6%	1.1%	7.0%	11.3%	11.0%	12.4%	-4.9%	5/8/2014	32.7%	6/21/2013
Integrys Energy Group	TEG	NR	57.34	0.1%	-0.1%	-6.6%	-3.9%	1.9%	5.4%	-6.9%	-9.8%	8/1/2013	10.1%	2/6/2014
The Laclede Group	LG	NR	45.64	0.1%	-0.6%	-2.6%	-3.2%	1.2%	0.2%	-2.6%	-5.9%	6/4/2013	6.5%	9/17/2013
New Jersey Resources	NJR	NR	52.63	0.4%	5.3%	8.0%	5.7%	16.1%	13.8%	12.1%	-0.3%	5/20/2014	29.6%	7/1/2013
Northwest Natural Gas Company	NWN	NR	43.97	-0.3%	0.4%	-1.3%	-0.1%	5.0%	2.7%	-3.8%	-3.9%	5/21/2013	10.0%	9/5/2013
Piedmont Natural Gas	PNY	NR	34.89	-0.3%	1.2%	-2.5%	-1.4%	4.4%	5.2%	-0.2%	-4.5%	4/29/2014	10.6%	9/6/2013
South Jersey Industries	SJI	NR	56.29	-0.1%	1.0%	0.5%	0.4%	1.2%	0.6%	-8.0%	-9.6%	7/25/2013	8.7%	2/5/2014
Vectren	VVC	NR	36.49	-0.4%	-0.2%	-4.2%	-2.3%	1.8%	8.4%	5.2%	-6.4%	4/29/2014	20.9%	9/4/2013
Washington Gas Light	WGL	NR	39.76	0.0%	1.1%	0.9%	-0.7%	5.5%	-0.7%	-12.9%	-15.3%	8/1/2013	12.5%	2/5/2014
Average				**0.0%**	**0.9%**	**-0.7%**	**0.1%**	**4.9%**	**4.7%**	**-0.5%**	**-6.1%**		**14.2%**	
U.S. Master Limited Partnerships														
Amerigas Partners	APU	NR	46.96	0.4%	3.6%	5.7%	11.1%	10.8%	5.4%	-1.2%	-6.9%	6/27/2013	14.6%	3/21/2014
Enbridge Energy Partners	EEP	NR	30.27	0.6%	2.1%	4.6%	10.4%	13.3%	1.3%	0.9%	-9.6%	7/15/2013	16.4%	4/4/2014
Enbridge Energy Management	EEQ	NR	29.81	-0.4%	2.1%	5.7%	9.6%	14.3%	7.9%	5.8%	-2.4%	7/15/2013	16.0%	2/21/2014
El Paso Pipeline Partners	EPB	NR	32.41	-0.4%	-1.7%	-2.3%	6.6%	6.6%	-10.0%	-25.1%	-28.0%	6/27/2013	12.3%	3/12/2014
Cheniere Energy Partners	CQP	NR	32.53	-0.9%	-1.6%	-3.8%	8.4%	12.9%	13.5%	13.3%	-5.5%	4/17/2014	33.6%	6/24/2013
Targa Resource Partners	NGLS	NR	65.40	1.4%	5.5%	6.6%	16.2%	21.9%	25.0%	34.5%	-0.2%	5/20/2014	50.2%	6/24/2013
Williams Partners	WPZ	NR	51.51	0.9%	-1.6%	0.5%	1.1%	5.9%	1.3%	-1.5%	-4.6%	10/22/2013	13.5%	6/24/2013
Spectra Energy Partners	SEP	NR	50.37	-0.2%	-1.4%	-6.1%	2.9%	4.6%	11.1%	39.1%	-12.5%	5/5/2014	46.3%	6/4/2013
DCP Midstream Partners	DPM	NR	54.52	0.8%	0.6%	5.2%	8.8%	12.9%	8.3%	8.6%	-6.8%	7/11/2013	21.1%	12/12/2013
Oneok Partners	OKS	NR	55.06	0.9%	2.2%	-2.9%	2.8%	-0.8%	4.6%	5.4%	-4.8%	2/18/2014	21.3%	6/24/2013
Kinder Morgan Energy Partners	KMP	NR	76.12	0.2%	2.2%	-1.8%	2.9%	-3.1%	-5.6%	-13.7%	-14.6%	5/22/2013	6.7%	3/20/2014
Enterprise Product Partners	EPD	NR	73.27	0.5%	0.3%	0.4%	5.6%	11.4%	10.5%	19.0%	-2.2%	5/6/2014	30.6%	6/24/2013
Boardwalk Pipeline Partners	BWP	NR	16.50	5.3%	3.4%	5.0%	23.0%	26.9%	-35.3%	-46.3%	-50.0%	7/15/2013	37.6%	3/14/2014
Average				**0.3%**	**0.8%**	**0.9%**	**6.7%**	**8.4%**	**4.8%**	**5.7%**	**-8.2%**		**21.4%**	
U.S. Regulated Electric Utilities														
American Electric Power**	AEP	OP	50.96	-0.1%	-2.4%	-1.5%	0.6%	1.2%	9.0%	3.0%	-6.7%	4/29/2014	21.8%	9/4/2013
Dominion Resources**	D	MKT	68.92	-0.2%	-1.3%	-2.5%	-2.9%	-3.6%	6.5%	13.4%	-6.5%	4/30/2014	28.1%	6/21/2013
Duke Energy**	DUK	OP	70.09	-0.3%	-2.3%	-3.4%	-1.6%	-2.3%	1.6%	-1.7%	-6.7%	4/29/2014	9.2%	9/4/2013
Ameren	AEE	NR	38.43	-0.3%	-1.0%	-6.2%	-6.7%	-1.0%	6.3%	6.2%	-9.0%	2/21/2014	18.8%	6/21/2013
Consolidated Edison**	ED	MKT	54.08	-0.4%	-1.4%	-4.3%	0.8%	-2.2%	-2.2%	-11.2%	-11.6%	5/21/2013	3.5%	3/20/2014
PG&E Corp.**	PCG	MKT	43.63	0.3%	1.0%	-2.8%	1.0%	-0.1%	8.3%	-7.5%	-9.1%	5/22/2013	10.7%	1/3/2014
Southern Company**	SO	MKT	42.77	-0.1%	-1.2%	-5.2%	-2.7%	0.9%	4.0%	-7.8%	-8.7%	5/22/2013	6.8%	12/12/2013
Xcel Energy**	XEL	MKT	30.09	0.1%	-1.6%	-4.0%	-0.9%	0.9%	7.7%	-0.5%	-7.0%	5/1/2014	11.9%	9/18/2013
Average				**-0.1%**	**-1.3%**	**-3.7%**	**-1.5%**	**-0.8%**	**5.2%**	**-0.8%**	**-8.2%**		**13.9%**	
Indices/Treasury														
Spot Henry Hub Natural Gas	NGUSHHUB		4.53	1.6%	1.6%	4.4%	5.1%	-23.9%	5.1%	10.0%	NA	NA	NA	NA
Spot WTI	USCRWTIC		102.44	-0.2%	0.7%	-1.8%	0.9%	-0.5%	4.1%	5.9%	NA	NA	NA	NA
OIL SERVICE HOLDRS TRUST	OIH US		51.47	-0.2%	-1.0%	0.7%	2.3%	7.5%	7.1%		-2.9%	5/8/2014	25.0%	6/24/2013
OIL SERVICE SECTOR INDEX	OSX		284.27	-0.1%	-0.8%	-4.3%	-1.6%	3.0%	1.2%	6.6%	-6.3%	4/23/2014	NA	NA
AMEX NATURAL GAS INDEX	XNG		893.39	0.0%	-0.6%	0.0%	6.3%	6.8%	9.3%	13.8%	-2.3%	5/8/2014	333.3%	12/3/2013
SPDR S&P OIL & GAS EXPLORATI	XOP US		74.34	-0.8%	-1.9%	-3.3%	3.5%	7.9%	8.5%	18.7%	-5.5%	4/24/2014	32.8%	6/24/2013
PHILA UTILITY INDEX	UTY		525.78	0.0%	-1.6%	-3.3%	-1.1%	1.2%	7.6%	0.9%	-6.1%	4/30/2014	NA	NA
S&P 500 INDEX	SPX		1,872.83	-0.6%	-1.3%	0.4%	0.0%	1.8%	1.3%	12.4%	-1.5%	5/13/2014	NA	NA
US Generic Govt 10 Year Yield	USGG10YR		2.51	-1.3%	-3.7%	-7.7%	-7.6%	-8.7%	-17.0%	27.9%	NA	NA	NA	NA
S&P/TSX COMPOSITE INDEX	SPTSX		14,525.19	0.1%	-0.9%	0.2%	1.3%	2.9%	6.6%	15.2%	-1.6%	5/2/2014	NA	NA
Canadian Govt Bonds 10 Year No	GCAN10YR		2.28	0.7%	-3.3%	-6.8%	-7.3%	-10.5%	-17.4%	18.6%				

* All Data in C$ unless otherwise indicated
** Covered by Michael Worms, BMO Capital Markets' Electric Utilities and Independent Power analyst
*** Covered by Phillip Jungwirth, BMO Capital Markets' Energy Exploration and Production analyst
****1-Day / 5-Day / 1-Month / 1-Year measures mentioned period performance from 05.20.14/05.14.14/05.20.14/05.20.13
Mkt= Market Perform; OP= Outperform; Und= Underperform; R=Restricted

Source: BMO Capital Markets estimates, Bloomberg.

Exhibit 17: Price Performance – Canada

	Ticker	Rating	Price	1 Day	5 Day	1 Month	QTD	Three Months	YTD	1 Year	% from 52 Wk High	Date of High	% from 52 Wk Low	Date of Low
				Price Performance**										
BMO North American Pipeline Coverage Universe														
Canadian Pipes*														
Enbridge Inc.	ENB	OP	52.10	0.2%	-0.6%	0.7%	3.8%	9.4%	12.3%	225.6%	-3.1%	5/1/2014	24.9%	10/7/2013
TransCanada Corp.	TRP	OP	51.09	0.2%	0.4%	-0.4%	1.7%	4.6%	5.3%	2.2%	-1.5%	4/3/2014	16.3%	10/7/2013
Average				**0.2%**	**-0.1%**	**0.1%**	**2.7%**	**7.0%**	**8.8%**	**113.9%**	**-2.3%**		**20.6%**	
Canadian Income*														
AltaGas	ALA	OP	46.50	-0.4%	-0.1%	2.0%	7.1%	15.0%	19.0%	20.7%	-2.8%	5/2/2014	39.9%	6/24/2013
Enbridge Income Fund	ENF	MKT	27.13	-0.3%	0.3%	2.1%	2.4%	7.4%	14.7%	3.0%	-2.6%	5/5/2014	22.1%	6/24/2013
Gibson Energy	GEI	OP	30.85	0.2%	-0.6%	9.3%	7.6%	15.1%	12.6%	16.0%	-1.3%	5/14/2014	43.3%	8/26/2013
Inter Pipeline	IPL	OP	30.22	-0.7%	-2.0%	3.4%	3.5%	4.9%	17.0%	24.1%	-2.0%	5/12/2014	60.7%	6/24/2013
Keyera	KEY	R	R	R	R	R	R	R	R	R	R	R	R	R
Pembina Pipeline	PPL	MKT	44.45	-0.3%	-0.2%	3.3%	5.9%	11.3%	18.8%	27.2%	-4.5%	5/13/2014	46.4%	6/24/2013
Valener	VNR	MKT	15.69	-0.4%	-0.2%	0.1%	0.8%	0.1%	3.0%	-3.0%	-4.6%	6/4/2013	3.4%	11/20/2013
Veresen	VSN	MKT	16.43	0.7%	3.4%	-0.2%	-1.5%	1.4%	15.1%	21.8%	-3.2%	3/24/2014	44.5%	8/7/2013
Average				**-0.2%**	**0.1%**	**2.9%**	**3.7%**	**7.9%**	**14.3%**	**15.7%**	**-3.0%**		**37.2%**	
Industry Comps														
Canadian Income*														
Atlantic Power Corp.**	ATP	UND	3.50	1.7%	-0.6%	2.6%	9.4%	19.0%	-5.7%	-29.3%	-36.5%	10/18/2013	48.9%	2/6/2014
Average				**1.7%**	**-0.6%**	**2.6%**	**9.4%**	**19.0%**	**-5.7%**	**-29.3%**	**-36.5%**		**48.9%**	
Other Canadian Pipelines & Utility*														
Algonquin Power**	AQN	OP	8.12	-0.4%	1.5%	5.5%	4.1%	10.0%	10.6%	1.4%	-1.5%	5/23/2013	36.2%	10/11/2013
Canadian Utilities**	CU	OP	39.25	-0.6%	-2.3%	-4.3%	-4.6%	-0.9%	10.0%	-1.1%	-5.8%	4/9/2014	17.3%	8/27/2013
Emera Incorporated**	EMA	MKT	33.79	-0.1%	-1.0%	-4.7%	-1.8%	3.0%	10.5%	-7.8%	-8.6%	5/22/2013	17.4%	9/11/2013
Fortis Inc.**	FTS	MKT	32.41	0.2%	-0.7%	0.9%	2.8%	5.7%	6.4%	-4.6%	-5.5%	5/21/2013	9.8%	12/12/2013
Innergex Renewable Energy Inc.**	INE	MKT	10.32	-0.2%	-3.2%	-1.7%	3.5%	1.1%	-2.6%	1.1%	-9.7%	12/20/2013	23.3%	7/11/2013
TransAlta Corporation**	TA	MKT	13.28	-0.6%	2.1%	1.1%	3.4%	-3.5%	-1.5%	-14.1%	-15.5%	5/28/2013	6.8%	2/28/2014
Average				**-0.3%**	**-0.6%**	**-0.5%**	**1.2%**	**2.6%**	**5.6%**	**-4.2%**	**-7.8%**		**18.5%**	
Indices/Treasury														
Spot Henry Hub Natural Gas	NGUSHHUB		4.53	1.6%	1.6%	4.4%	5.1%	-23.9%	5.1%	10.0%	NA	NA	NA	NA
Spot WTI	USCRWTIC		102.44	-0.2%	0.7%	-1.6%	0.9%	-0.5%	4.1%	5.9%	NA	NA	NA	NA
OIL SERVICE HOLDRS TRUST	OIH US		51.47	-0.2%	-1.0%	0.7%	2.3%	7.5%	7.1%		-2.9%	5/8/2014	25.0%	6/24/2013
OIL SERVICE SECTOR INDEX	OSX		284.27	-0.1%	-0.8%	-4.3%	-1.6%	3.0%	1.2%	6.6%	-6.3%	4/23/2014	NA	NA
AMEX NATURAL GAS INDEX	XNG		893.39	0.0%	-0.6%	0.0%	6.3%	6.8%	9.3%	13.8%	-2.3%	5/8/2014	333.3%	12/3/2013
SPDR S&P OIL & GAS EXPLORATI	XOP US		74.34	-0.8%	-1.9%	-3.3%	3.5%	7.9%	8.5%	18.7%	-5.5%	4/24/2014	32.8%	6/24/2013
PHILA UTILITY INDEX	UTY		525.78	0.0%	-1.6%	-3.3%	-1.1%	1.2%	7.6%	0.9%	-6.1%	4/30/2014	NA	NA
S&P 500 INDEX	SPX		1,872.83	-0.6%	-1.3%	0.4%	0.0%	1.8%	1.3%	12.4%	-1.5%	5/13/2014	NA	NA
US Generic Govt 10 Year Yield	USGG10YR		2.51	-1.3%	-3.7%	-7.7%	-7.6%	-8.7%	-17.0%	27.9%	NA	NA	NA	NA
S&P/TSX COMPOSITE INDEX	SPTSX		14,525.19	0.1%	-0.9%	0.2%	1.3%	2.9%	6.6%	15.2%	-1.6%	5/2/2014	NA	NA
Canadian Govt Bonds 10 Year No	GCAN10YR		2.28	0.7%	-3.3%	-6.8%	-7.3%	-10.5%	-17.4%	18.6%	NA	NA	NA	NA

* All Data in C$ unless otherwise indicated
** Covered by Ben Pham at our Canadian Affiliate, BMO Nesbitt Burns Inc.
***1-Day / 5-Day / 1-Month / 1-Year measures mentioned period performance from 05.20.14/05.14.14/05.20.14/05.20.13
Mkt= Market Perform; OP= Outperform; Und= Underperform; R=Restricted

Source: BMO Capital Markets estimates, Bloomberg.

Commodity Review

Exhibit 18: Commodity Outlook

	QUARTERLY								ANNUAL									
	2013A					2014TD											BMO Estimate	
	1Q	2Q	3Q	4Q	2013A	1Q	2QTD	2014TD	2007A	2008A	2009A	2010A	2011A	2012A	2013A	2014TD	2014E	2015E
Commodity Price Summary																		
Henry Hub Natural Gas ($/mmbtu)	$3.49	$4.02	$3.55	$3.85	$3.73	$5.14	$4.62	$4.95	$6.96	$8.85	$3.94	$4.38	$3.99	$2.76	$3.73	$4.95	$4.67	$4.00
Y/Y % Change	-32%	-7%	-17%	1%	-15%	47%	15%	33%	3%	27%	-55%	11%	-9%	-31%	35%	80%	-6%	-14%
WTI Crude Oil ($/bbl)	$94.35	$94.13	$105.78	$97.51	$97.98	$98.61	$101.68	$99.71	$72.12	$99.53	$61.85	$79.49	$95.08	$94.12	$97.98	$99.71	$100.18	$92.00
Y/Y % Change	20%	21%	39%	14%	23%	5%	8%	2%	9%	38%	-38%	29%	20%	-1%	4%	6%	0%	-8%
NGL Composite (40% ethane)	$0.89	$0.82	$0.87	$0.95	$0.88	$1.00	$0.89	$0.96	$1.13	$1.33	$0.80	$1.07	$1.35	$1.00	$0.88	$0.96	$0.96	$0.97
Y/Y % Change	-23%	-19%	-8%	-18%	-17%	12%	9%	9%	19%	17%	-40%	34%	27%	-26%	-12%	-4%	1%	0%
NGL / WTI (% $ basis)	40%	37%	35%	41%	38%	42%	37%	40%	66%	56%	54%	56%	60%	45%	38%	40%	40%	44%
Y/Y % Change	-35%	-33%	-35%	-29%	-33%	7%	1%	7%	10%	-15%	-3%	4%	6%	-25%	-16%	-10%	0%	9%
Frac Spread (Gulf Coast, $/gal)	$0.59	$0.48	$0.57	$0.62	$0.57	$0.56	$0.50	$0.54	$0.54	$0.58	$0.46	$0.70	$1.02	$0.77	$0.57	$0.54	$0.57	$0.63
Y/Y % Change	-17%	-26%	-3%	-25%	-19%	-5%	4%	-5%	43%	6%	-20%	50%	46%	-24%	-26%	-30%	5%	10%
Natural Gas Liquids																		
Mont Belvieu (Gulf Coast)																		
Ethane	$0.26	$0.27	$0.25	$0.26	$0.26	$0.33	$0.29	$0.32	$0.79	$0.90	$0.48	$0.60	$0.77	$0.40	$0.26	$0.32	$0.32	$0.27
Propane	$0.87	$0.91	$1.03	$1.20	$1.00	$1.30	$1.08	$1.22	$1.20	$1.42	$0.84	$1.16	$1.47	$1.00	$1.00	$1.22	$1.24	$1.28
Butane	$1.53	$1.21	$1.31	$1.41	$1.37	$1.34	$1.22	$1.30	$1.42	$1.68	$1.07	$1.46	$1.79	$1.59	$1.37	$1.30	$1.33	$1.38
Iso-Butane	$1.65	$1.28	$1.35	$1.45	$1.43	$1.41	$1.28	$1.37	$1.51	$1.73	$1.19	$1.58	$2.05	$1.80	$1.43	$1.37	$1.36	$1.40
Natural Gasoline	$2.23	$2.05	$2.16	$2.11	$2.13	$2.12	$2.22	$2.16	$1.68	$2.10	$1.31	$1.84	$2.34	$2.15	$2.13	$2.16	$2.11	$2.10
MB Composite ($/gal)	$0.89	$0.82	$0.87	$0.95	$0.88	$1.00	$0.89	$0.96	$1.13	$1.33	$0.80	$1.07	$1.35	$1.00	$0.88	$0.96	$0.96	$0.97
MB Composite ($/mmbtu)	$10.53	$9.71	$10.32	$11.20	$10.44	$11.79	$10.56	$11.35	$13.40	$15.70	$9.44	$12.64	$16.03	$11.87	$10.44	$11.35	$11.42	$11.43
Conway (Midcontinent)																		
Ethane	$0.24	$0.21	$0.21	$0.22	$0.22	$0.25	$0.26	$0.25	$0.73	$0.81	$0.34	$0.40	$0.45	$0.18	$0.22	$0.25	$0.26	$0.22
Propane	$0.82	$0.86	$1.00	$1.22	$0.98	$1.60	$1.07	$1.41	$1.19	$1.40	$0.81	$1.12	$1.35	$0.82	$0.98	$1.41	$1.28	$1.23
Butane	$1.56	$1.18	$1.30	$1.44	$1.37	$1.33	$1.20	$1.29	$1.36	$1.55	$0.97	$1.42	$1.67	$1.49	$1.37	$1.29	$1.32	$1.38
Iso-Butane	$1.62	$1.23	$1.42	$1.46	$1.43	$1.45	$1.70	$1.54	$1.55	$1.70	$1.14	$1.52	$1.95	$1.71	$1.43	$1.54	$1.37	$1.40
Natural Gasoline	$2.23	$2.06	$2.10	$2.05	$2.11	$2.16	$2.24	$2.19	$1.72	$2.05	$1.33	$1.78	$2.18	$2.09	$2.11	$2.19	$2.15	$2.15
CW Composite ($/gal)	$0.87	$0.77	$0.85	$0.94	$0.86	$1.06	$0.92	$1.01	$1.10	$1.27	$0.72	$0.96	$1.16	$0.83	$0.86	$1.01	$0.96	$0.93
CW Composite ($/mmbtu)	$10.29	$9.11	$10.06	$11.11	$10.14	$12.50	$10.86	$11.92	$13.07	$14.99	$8.48	$11.37	$13.70	$9.87	$10.14	$11.92	$11.31	$11.06
NGL Basis Differential																		
Mont Belvieu-Conway ($/gal)	($0.02)	($0.05)	($0.02)	($0.01)	($0.03)	$0.06	$0.03	$0.05	($0.03)	($0.06)	($0.08)	($0.11)	($0.20)	($0.17)	($0.03)	$0.05	($0.01)	($0.03)
Frac Spread Margin																		
Gulf Coast ($/gal)	$0.59	$0.48	$0.57	$0.62	$0.57	$0.56	$0.50	$0.54	$0.54	$0.58	$0.46	$0.70	$1.02	$0.77	$0.57	$0.54	$0.57	$0.63
Conway ($/gal)	$0.56	$0.43	$0.55	$0.60	$0.54	$0.48	$0.53	$0.49	$0.55	$0.63	$0.41	$0.59	$0.82	$0.60	$0.53	$0.49	$0.57	$0.61
Correlations																		
NGL / WTI (% $ basis)	40%	37%	35%	41%	38%	42%	37%	40%	66%	56%	54%	56%	60%	45%	38%	40%	40%	44%
Ethane / Nat Gas (btu basis)	112%	104%	106%	103%	106%	99%	96%	98%	173%	154%	186%	208%	292%	220%	106%	98%	104%	103%
Ethane / WTI (% $ basis)	11%	12%	10%	11%	11%	14%	12%	13%	46%	38%	33%	32%	34%	18%	11%	13%	13%	12%
Propane / WTI (% $ basis)	39%	41%	41%	51%	43%	55%	44%	51%	70%	60%	57%	62%	65%	45%	43%	51%	52%	58%
Butane / WTI (% $ basis)	68%	54%	52%	61%	59%	57%	51%	55%	83%	71%	72%	77%	79%	71%	59%	55%	56%	63%
Iso-Butane / WTI (% $ basis)	73%	57%	53%	62%	61%	60%	53%	58%	88%	73%	81%	83%	91%	80%	61%	58%	57%	64%
Natural Gasoline / WTI (% $ basis)	99%	91%	86%	91%	92%	90%	92%	91%	98%	88%	89%	97%	103%	96%	92%	91%	88%	96%

Exhibit 19: BMO Crude Oil Forecast

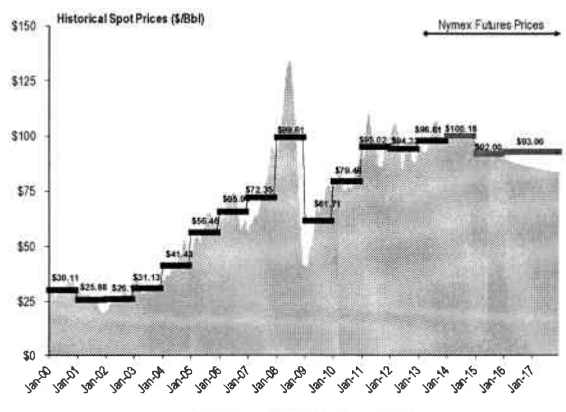
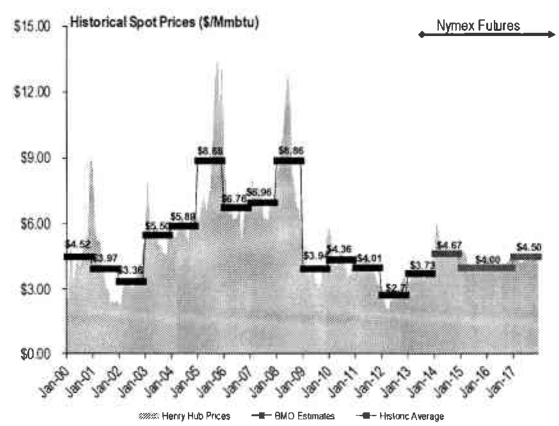


Exhibit 20: BMO Natural Gas Forecast



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 21: BMO EIA Natural Gas Supply-Demand Data

	US Natural Gas Supply (Bcf/d)						US Natural Gas Demand (Bcf/d)								Storage		"Error"	
	Domestic Dry Gas Production	Pipeline Imports	LNG Imports	Pipeline Exports	LNG Exports	Total Supply	Residential Consumption	Commercial Consumers	Industrial	Power	Lease, Pipe & Other	Total Implied Demand	Balancing "Other"	Storage	Monthly	Weekly	Other (% Dmd)	Storage (Bcf/d)
2013A																		
Jan	65.2	8.5	0.3	5.0	0.0	69.1	28.4	15.4	21.9	20.3	6.5	92.5	(0.1)	(23.3)	(720.9)	(730.0)	-0.1%	(0.3)
Feb	65.9	8.1	0.4	4.7	0.0	69.6	27.0	15.3	22.4	20.2	6.5	91.4	(0.3)	(21.6)	(603.7)	(597.0)	-0.3%	0.2
Mar	65.4	7.7	0.3	4.8	0.0	68.6	21.6	12.7	21.2	19.4	6.2	81.0	(0.2)	(12.3)	(380.4)	(420.9)	-0.2%	(1.3)
Apr	66.0	7.2	0.2	4.2	0.0	69.1	12.3	8.2	20.1	18.7	5.8	65.1	(0.5)	4.5	136.4	144.3	-0.8%	0.3
May	66.3	7.4	0.2	4.6	0.0	69.3	6.3	5.4	19.2	19.8	5.5	56.2	(0.4)	13.5	417.8	424.7	-0.7%	0.2
Jun	66.3	7.6	0.3	4.5	0.0	69.8	4.3	4.5	18.9	24.5	5.6	57.7	(0.3)	12.4	371.8	376.4	-0.6%	0.2
Jul	67.0	7.4	0.3	4.1	0.0	70.4	3.6	4.4	18.9	29.2	5.7	61.9	(0.3)	8.9	275.2	285.1	-0.5%	0.3
Aug	67.0	7.3	0.3	4.2	0.0	70.4	3.5	4.4	19.2	29.0	5.8	61.8	(0.1)	8.7	270.4	283.7	-0.2%	0.4
Sep	66.3	7.6	0.5	4.1	0.0	70.3	4.0	4.7	19.2	25.0	5.6	58.5	(0.0)	11.8	354.5	328.3	-0.1%	(0.9)
Oct	67.2	6.9	0.1	3.9	0.0	70.2	7.3	6.7	19.9	20.5	5.7	60.0	2.0	8.2	254.7	283.4	3.3%	0.9
Nov	68.3	7.2	0.1	3.7	0.0	71.9	17.3	11.5	21.8	19.9	6.3	76.8	2.1	(7.0)	(210.8)	(206.6)	2.7%	0.1
Dec	67.5	8.7	0.0	3.8	0.0	72.4	27.6	15.3	22.9	21.3	6.7	93.9	1.5	(23.0)	(713.9)	(718.1)	1.6%	(0.1)
FY	66.5	7.6	0.2	4.3	0.0	70.1	13.5	9.0	20.4	22.3	6.0	71.3	0.3	(1.5)	(548.9)	(546.6)	0.4%	0.0
2014E Deltas																		
Jan	2.5	0.7	(0.1)	(0.7)	0.0	3.7	5.2	3.0	1.5	1.1	0.5	11.3	0.3	(7.9)				
Feb	1.9	0.6	(0.3)	(0.1)	0.0	2.3	3.7	2.2	1.3	(0.4)	0.3	7.1	(0.4)	(4.4)				
Mar	0.0	0.0	0.0	0.0	0.0	0.0	2.2	0.0	0.0	0.0	0.0	2.2	0.0	(2.2)				
Apr	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
May	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Jun	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Jul	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Aug	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Sep	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Oct	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Nov	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Dec	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
FY	0.4	0.1	(0.0)	(0.1)	0.0	0.5	0.9	0.4	0.2	0.1	0.1	1.7	(0.0)	(1.2)				
Jan	3.8%	8.4%	-42.4%	-13.1%	133.8%	5.4%	18.3%	19.7%	6.9%	5.2%	7.4%	12.2%	-360.3%	34.1%				
Feb	2.8%	7.8%	-66.8%	-1.8%	33.8%	3.3%	13.6%	14.5%	5.6%	-1.9%	5.0%	7.8%	162.1%	20.3%				
Mar	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%	0.0%	0.0%	0.0%	2.7%	0.0%	17.6%				
Apr	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				
May	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				
Jun	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				
Jul	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				
Aug	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				
Sep	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				
Oct	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				
Nov	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				
Dec	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				
FY	0.5%	1.5%	-14.9%	-1.4%	12.5%	0.7%	6.8%	4.9%	1.1%	0.3%	1.1%	2.4%	-1.9%	80.2%				
2014E																		
Jan	67.7	9.2	0.2	4.3	0.0	72.8	33.6	18.5	23.4	21.3	7.0	103.7	0.2	(31.2)	(966.6)	(961.3)	0.2%	0.2
Feb	67.7	8.7	0.1	4.7	0.0	71.9	30.7	17.5	23.7	19.8	6.8	98.5	(0.7)	(25.9)	(726.5)	(727.0)	-0.7%	(0.0)
Mar	65.4	7.7	0.3	4.8	0.0	68.6	23.7	12.7	21.2	19.4	6.2	83.2	(0.2)	(14.4)	(447.3)	(429.3)	-0.2%	0.6
Apr	66.0	7.2	0.2	4.2	0.0	69.1	12.3	8.2	20.1	18.7	5.8	65.1	(0.5)	4.5	136.4	210.1	-0.8%	2.5
May	66.3	7.4	0.2	4.6	0.0	69.3	6.3	5.4	19.2	19.8	5.5	56.2	(0.4)	13.5	417.8	202.4	-0.7%	(6.9)
Jun	66.3	7.6	0.3	4.5	0.0	69.8	4.3	4.5	18.9	24.5	5.6	57.7	(0.3)	12.4	371.8		-0.6%	(12.4)
Jul	67.0	7.4	0.3	4.1	0.0	70.4	3.6	4.4	18.9	29.2	5.7	61.9	(0.3)	8.9	275.2		-0.5%	(8.9)
Aug	67.0	7.3	0.3	4.2	0.0	70.4	3.5	4.4	19.2	29.0	5.8	61.8	(0.1)	8.7	270.4		-0.2%	0.0
Sep	66.3	7.6	0.5	4.1	0.0	70.3	4.0	4.7	19.2	25.0	5.6	58.5	(0.0)	11.8	354.5		-0.1%	0.0
Oct	67.2	6.9	0.1	3.9	0.0	70.2	7.3	6.7	19.9	20.5	5.7	60.0	2.0	8.2	254.7		3.3%	0.0
Nov	68.3	7.2	0.1	3.7	0.0	71.9	17.3	11.5	21.8	19.9	6.3	76.8	2.1	(7.0)	(210.8)		2.7%	0.0
Dec	67.5	8.7	0.0	3.8	0.0	72.4	27.6	15.3	22.9	21.3	6.7	93.9	1.5	(23.0)	(713.9)		1.6%	0.0
FY	66.9	7.7	0.2	4.2	0.0	70.6	14.5	9.4	20.7	22.4	6.1	73.0	0.3	(2.8)	(984.2)		0.4%	0.0

Storage @ 05/09/14	1,160
Est. Storage @ 03/31/14	824
Est. Storage @ 10/31/14	2,902

Source: BMO Capital Markets estimates, EIA.

Exhibit 22: U.S. Natural Gas Storage

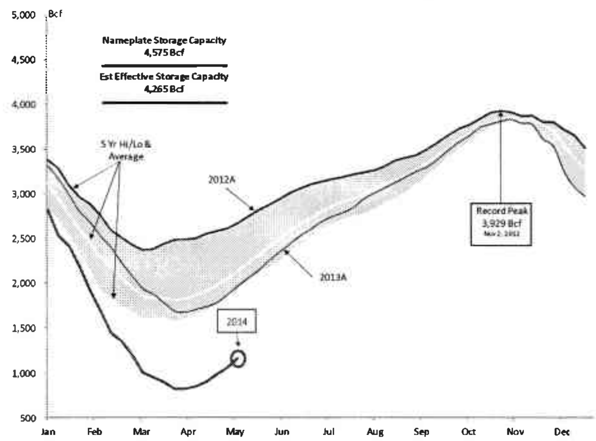


Exhibit 23: Canadian Natural Gas Storage

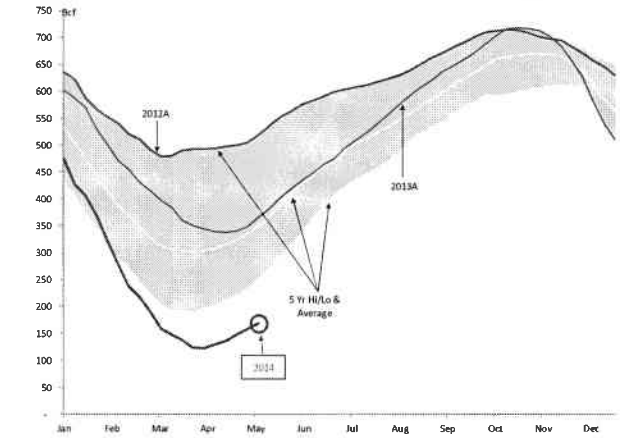


Exhibit 24: U.S. Onshore Production

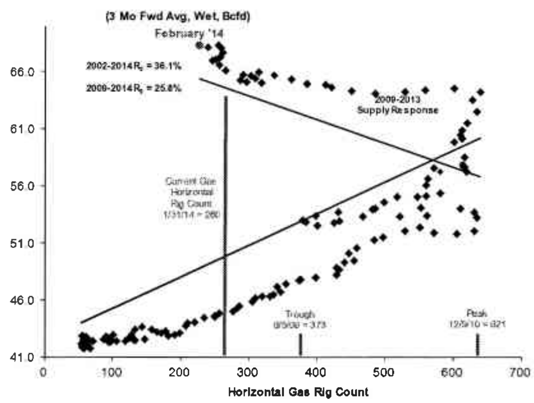


Exhibit 25: Alberta Gathering Receipts

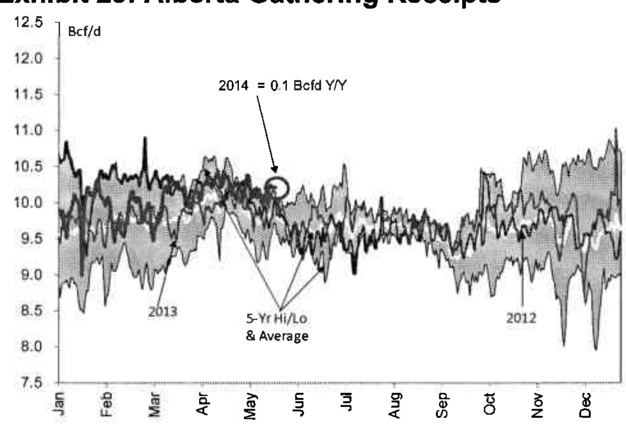


Exhibit 26: Degree Day Variance

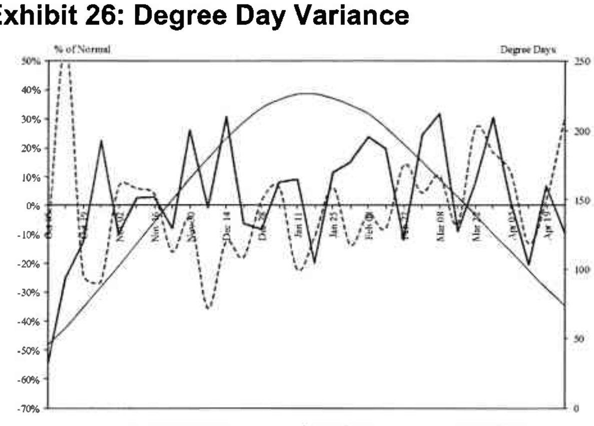
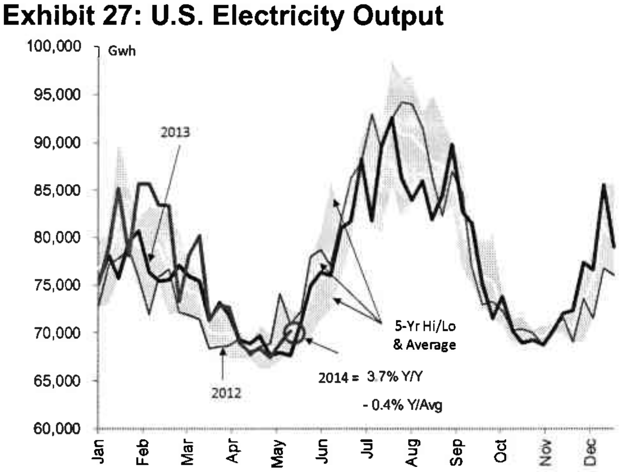


Exhibit 27: U.S. Electricity Output



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg, EIA.

Midstream/Natural Gas Liquids

Exhibit 28: Historic NGL Prices

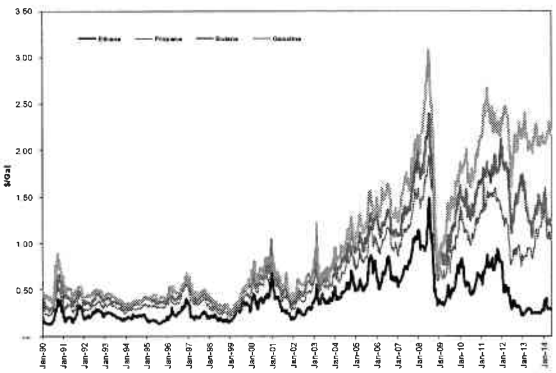


Exhibit 29: Average NGL Barrel % WTI Crude

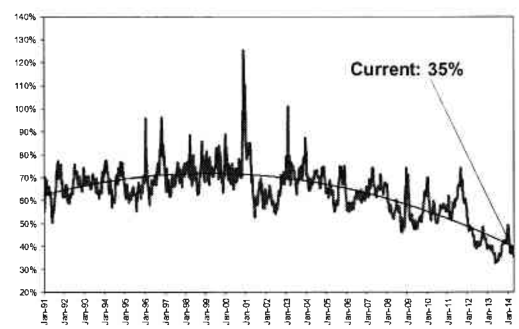


Exhibit 30: Keep-Whole "Frac" Spreads

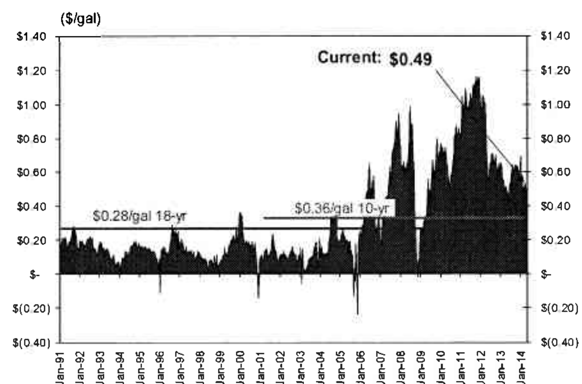


Exhibit 31: Oil – Gas Ratio

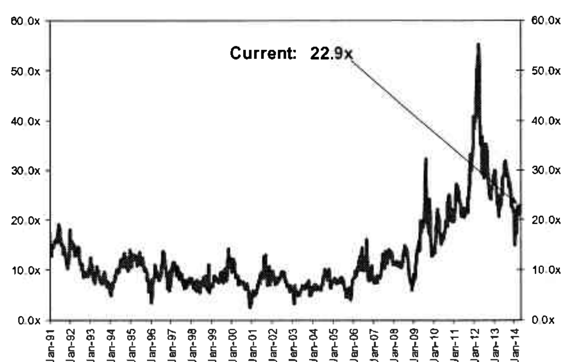


Exhibit 32: Ethane % Henry Hub Natural Gas

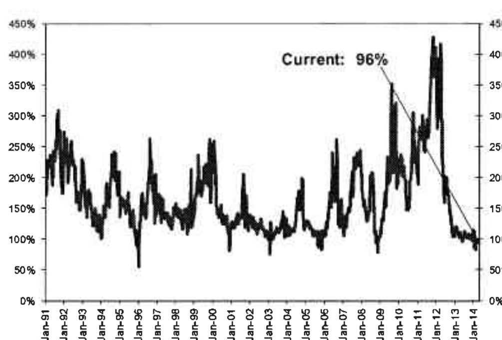
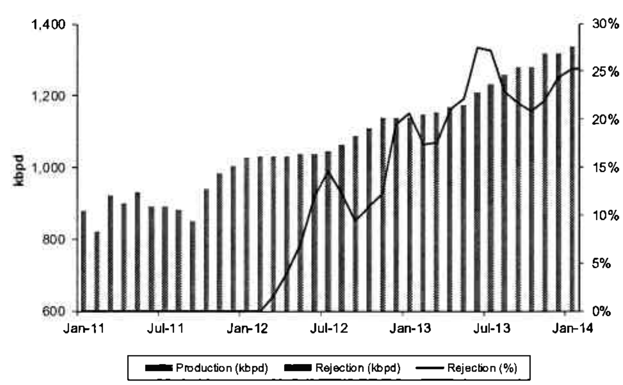


Exhibit 33: U.S. Monthly Ethane Production



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 34: Mt. Belvieu Premium to Conway

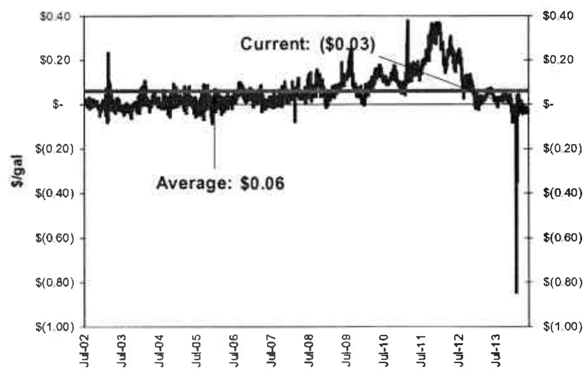


Exhibit 35: NGL Storage

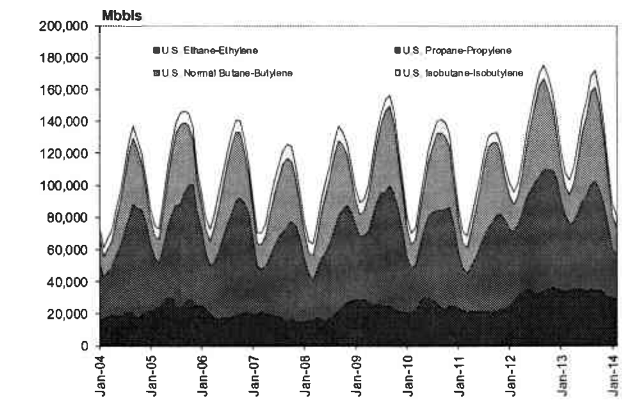


Exhibit 36: Chemical Rail Car Loadings

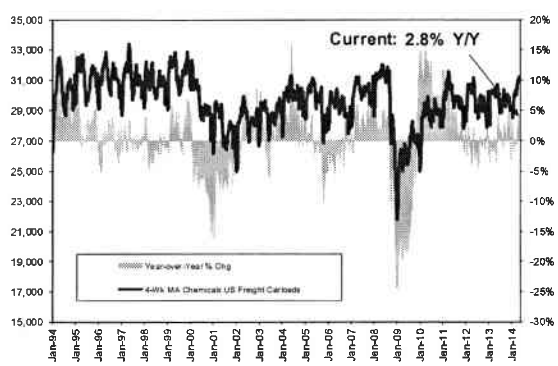


Exhibit 37: Ethane vs. Naphtha (Gulf Coast)

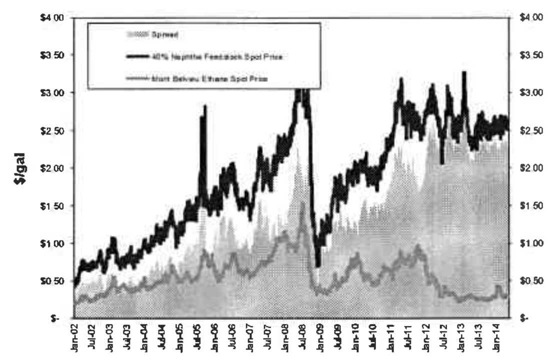


Exhibit 38: Petrochemical Price Trends

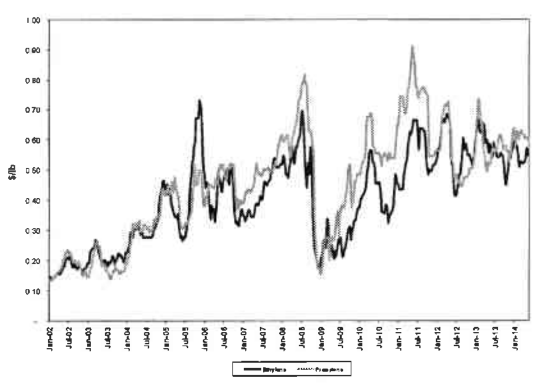
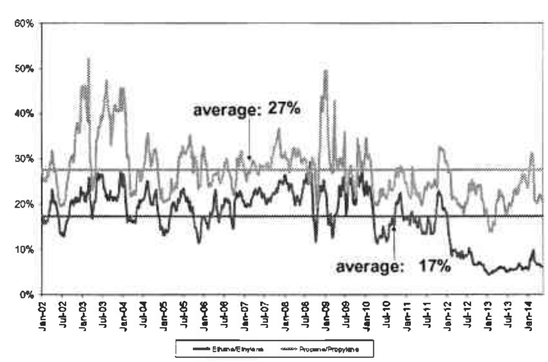


Exhibit 39: NGL/Petchem Price Correlation



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

LNG Update

Exhibit 40: US LNG Imports

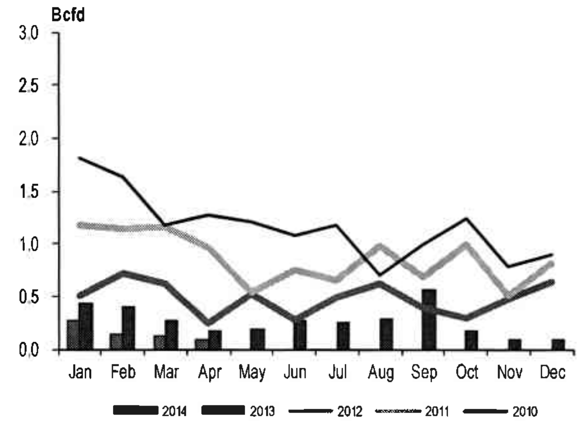


Exhibit 41: 2012 US LNG Imports by Terminal

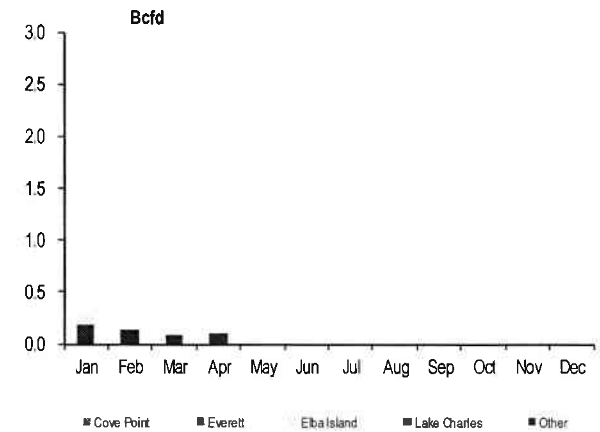


Exhibit 42: U.S. DOE Applications for LNG Exports

U.S. DOE Applications for LNG Exports

Expected Order to be Processed	Company	Date Applicant Received FERC Approval to Begin Pre-Filing Process	Quantity (Bcf/d)	Date Non-FTA Received	FERC
1	Cheniere Sabine Pass T1-T4	8/4/2010	2.2	5/20/2011	FERC scheduling notice issued
2	Freeport LNG Expansion, LP and FLNG Liquefaction	1/5/2011	1.4	5/17/2013	FERC scheduling notice issued
3	Lake Charles Exports, LLC	4/6/2012	2.0	8/7/2013	
4	Dominion Cove Point LNG, LP	6/26/2012	1.0	9/11/2013	Received environmental approval
5	Freeport LNG Expansion, LP and FLNG Liquefaction	1/5/2011	1.4	11/15/2013	
6	Cameron LNG, LLC	5/9/2012	1.7	2/11/2014	FERC scheduling notice issued
7	Jordan Cove Energy Project, LP	3/6/2012	0.8	3/24/2014	Application filed
8	LNG Development Company, LLC (d/b/a Oregon LNG)	7/16/2012	1.3		Application filed
9	Cheniere Marketing, LLC (Corpus Christi)	12/22/2011	2.1		Application filed
10	Excelerate Liquefaction Solultions	11/20/2012	1.4		
11+	All Others		10.1		
			25.3		

Exhibit 43: Global LNG Price Comparison

	Altamira	Argen-tina	Spain	Cana-port	Cove Point	India	China	Korea	UK	Taiwan	Lake Charles	Manza-nillo	France	Brazil	Japan	Belgium
Market**	$14.90	$15.22	$11.15	$4.42	$3.89	$14.30	$14.85	$15.25	$7.73	$14.75	$4.00	$16.05	$11.18	$15.16	$15.25	$7.76
Algeria	$13.59	$13.70	$10.94	$3.56	$2.85	$12.78	$12.37	$12.58	$7.30	$12.31	$2.69	$12.82	$10.79	$14.09	$12.50	$7.28
Australia	$11.61	$12.90	$8.87	$1.29	$0.76	$13.29	$14.05	$14.29	$5.08	$14.00	$0.71	$13.97	$8.57	$12.92	$14.27	$5.06
Egypt	$13.19	$13.28	$10.66	$3.14	$2.44	$13.19	$12.80	$13.01	$6.91	$12.74	$2.29	$12.40	$10.39	$13.72	$12.93	$6.89
Malaysia	$11.25	$12.82	$8.84	$1.26	$0.55	$13.33	$14.25	$14.58	$5.06	$14.25	$0.35	$14.25	$8.55	$12.63	$14.56	$5.03
Nigeria	$13.29	$13.99	$10.13	$3.13	$2.52	$12.47	$12.35	$12.55	$6.64	$12.29	$2.39	$13.19	$10.13	$14.32	$12.47	$6.62
Norway	$13.54	$13.21	$10.31	$3.56	$2.77	$12.07	$11.62	$11.82	$7.27	$11.56	$2.64	$12.29	$10.64	$13.69	$11.73	$7.33
Peru	$12.32	$14.28	$8.84	$1.97	$1.45	$11.32	$12.23	$12.85	$5.17	$12.23	$1.42	$15.07	$8.61	$13.72	$13.05	$5.20
Qatar	$12.12	$12.97	$9.66	$2.11	$1.41	$13.89	$13.41	$13.65	$5.88	$13.35	$1.22	$13.09	$9.37	$13.01	$13.56	$5.86
Russia	$10.62	$12.49	$8.26	$0.65	($0.06)	$12.74	$14.31	$14.83	$4.46	$14.23	($0.28)	$14.86	$7.95	$11.89	$14.93	$4.44
Trinidad	$14.26	$14.03	$10.08	$3.80	$3.34	$11.84	$11.56	$11.76	$6.74	$11.51	$3.36	$13.19	$10.17	$14.47	$11.67	$6.69
Yemen	$12.54	$13.23	$10.05	$2.53	$1.83	$13.80	$13.41	$13.65	$6.29	$13.35	$1.64	$13.08	$9.78	$13.23	$13.56	$6.27

** Estimated June 2014 landed price
Outlined square denotes highest netback location to origin country

Source (all Exhibits): Waterborne, U.S. DOE, U.S. FERC, Company data, BMO Capital Markets estimates.

Basis and Transportation Update

Exhibit 44: US Gas Prices and Basis Differentials to Henry Hub ($/Mmbtu) – May 20, 2014

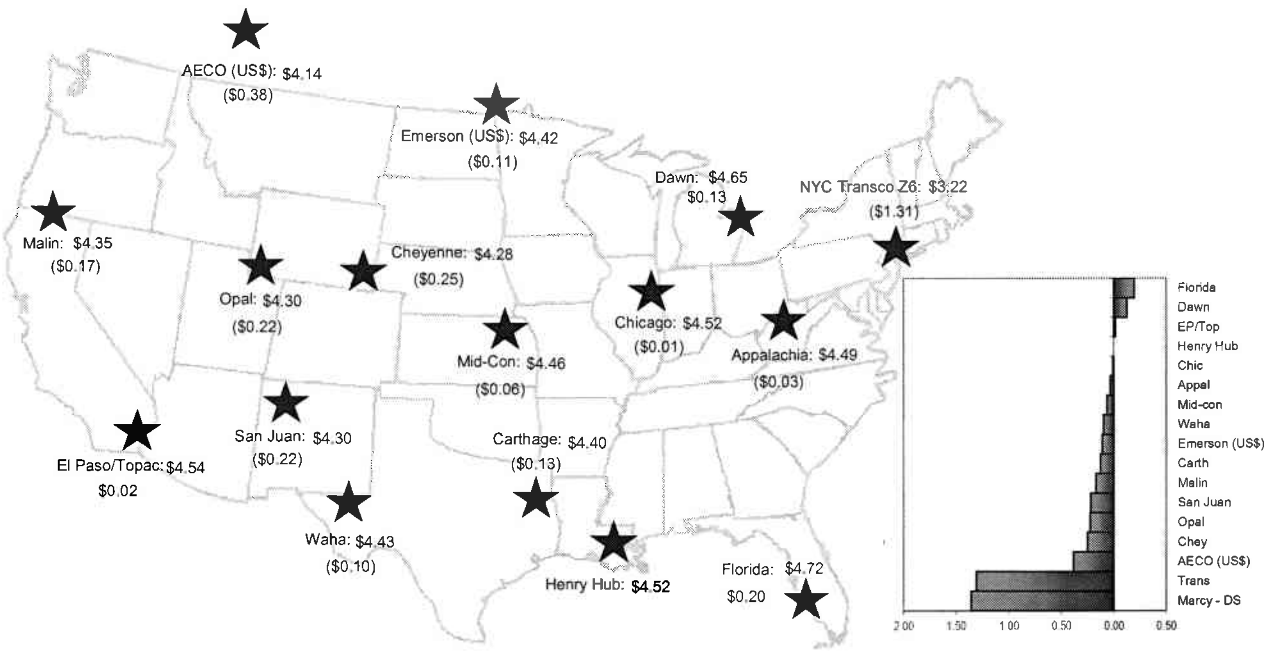
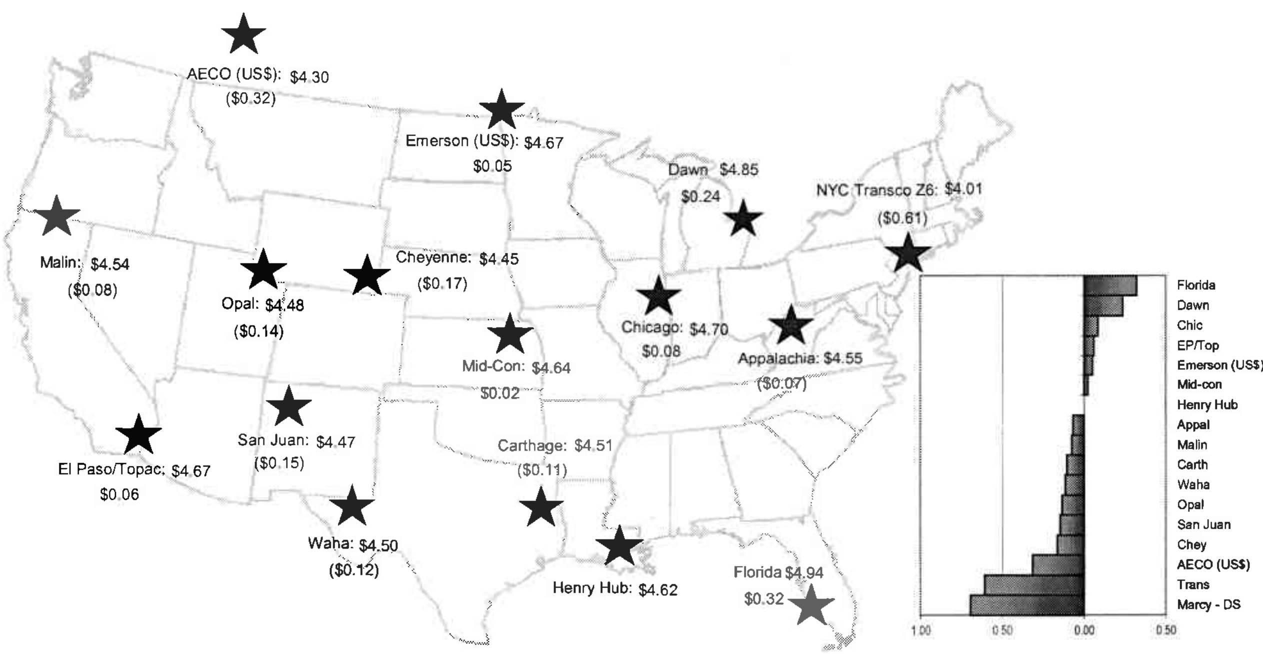


Exhibit 45: US Gas Prices and Basis Differentials to Henry Hub ($/Mmbtu) – 2nd Quarter to Date



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 46: NY Transco Zone 6 Basis

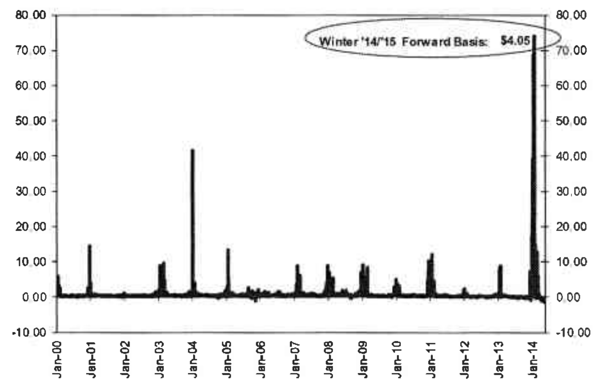


Exhibit 47: Marcellus Basis – Dominion South

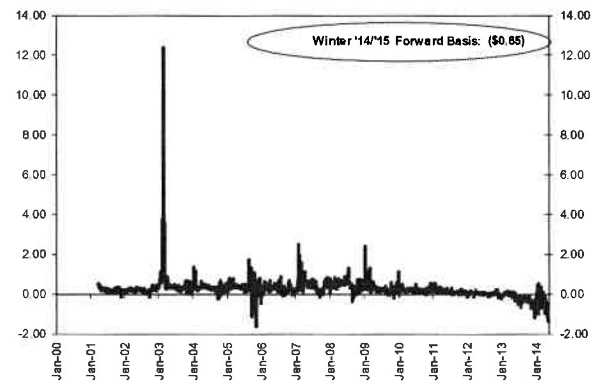


Exhibit 48: Mid Continent Basis

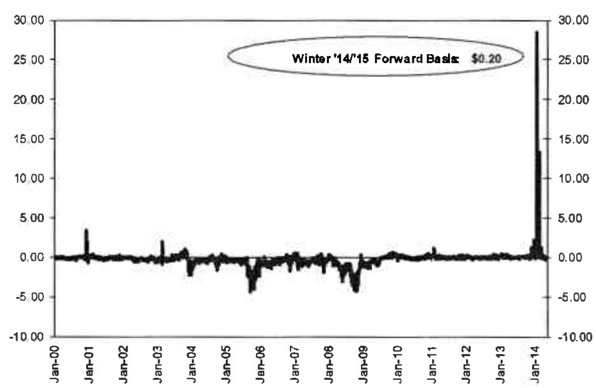


Exhibit 49: AECO Basis

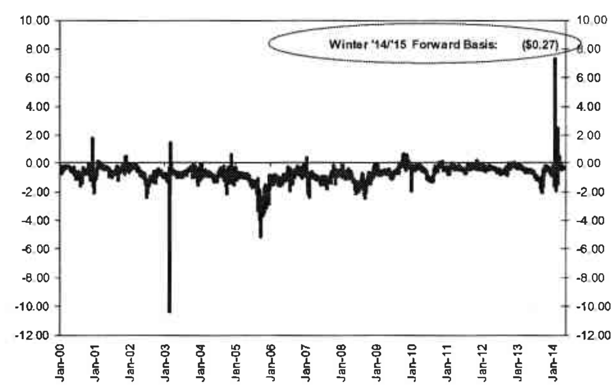


Exhibit 50: Rockies Basis

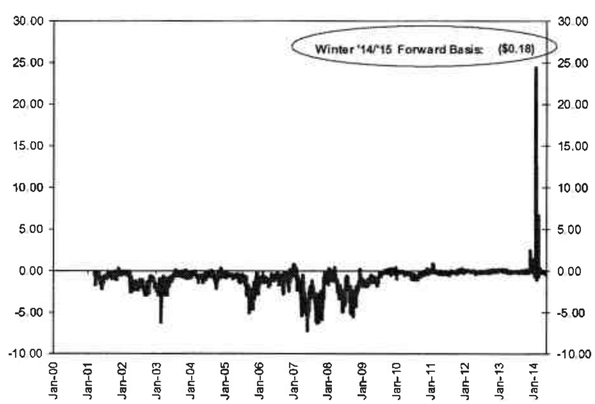
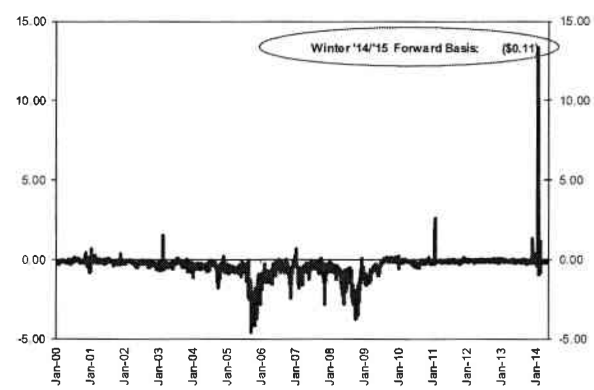


Exhibit 51: Waha Basis



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Relative Coal / Natural Gas Thermal Comparisons

Exhibit 52: Weighted Avg Coal vs. Natural Gas

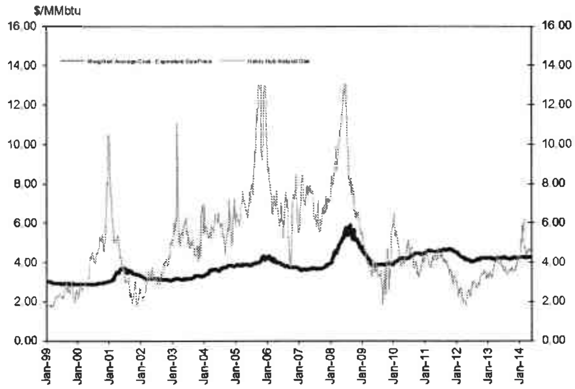


Exhibit 53: NAPP Coal vs. Natural Gas

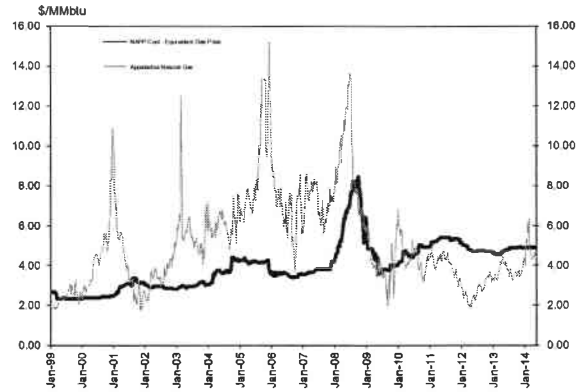


Exhibit 54: CAPP Coal vs. Natural Gas

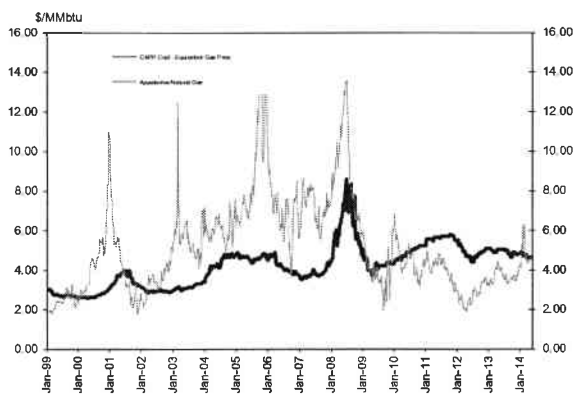


Exhibit 55: Interior Coal vs. Natural Gas

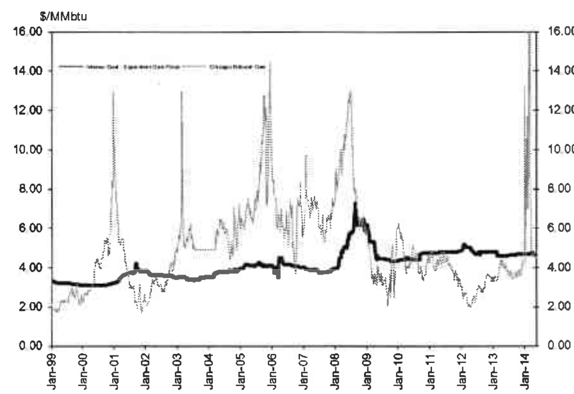


Exhibit 56: Southwest Coal vs. Natural Gas

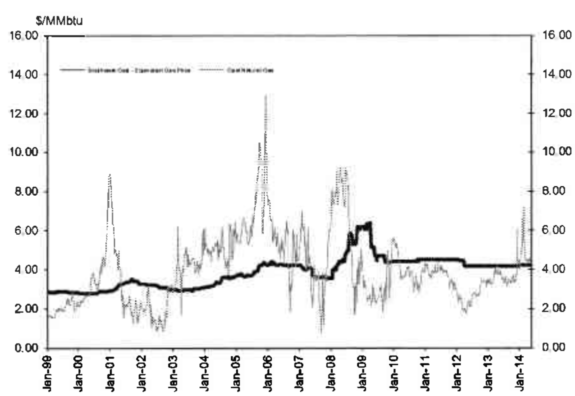
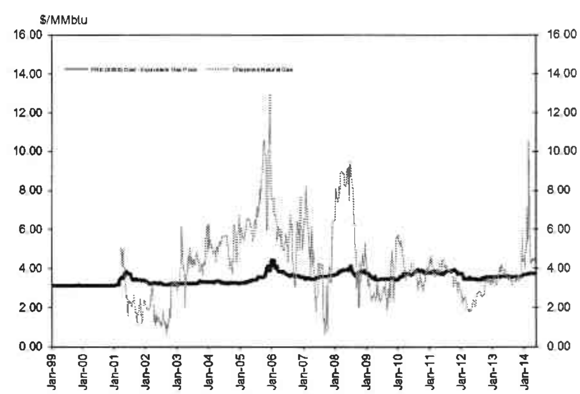


Exhibit 57: PRB Coal vs. Natural Gas



Source (all Exhibits): BMO Capital Markets estimates, Bloomberg.

Exhibit 58: BMO Natural Gas-Coal Switching Parity

Industry Assumptions:	NAPP	CAPP	Interior	Southwest	PRB
Heat Content (Btu/lb)	13,000	12,500	11,800	11,500	8,800
Heat Content (MMBtu/ton)	26.0	25.0	23.6	23.0	17.6
SO_2 Content (lb/Mmbtu)	3.0	1.2	5.0	1.0	0.8
SO_2 Content (% coal)	3.9%	1.6%	6.5%	1.3%	1.0%
NO_2 Content (lb/Mmbtu)	0.37	0.37	0.37	0.37	0.37
NO_2 Content (% coal)	0.5%	0.5%	0.5%	0.5%	0.5%
CO_2 Content (lb/Mmbtu)	210	210	210	210	205
Coal Plant Heat Rate (btu/kwh)	10,000	10,000	10,000	10,000	10,000
CCGT Heat Rate (btu/kwh)	7,500	7,500	7,500	7,500	7,500

Pricing Assumptions:	NAPP	CAPP	Interior	Southwest	PRB
Minehead Coal Spot Price ($/ton)	$68.17	$62.17	$46.02	$36.73	$13.02
Transportation Expense	$20.00	$20.00	$13.00	$25.00	$25.00
Delivered Coal ($/ton)	$88.17	$82.17	$59.02	$61.73	$38.02
SO_2 Price ($/ton)	$0.75	$0.75	$0.75	$0.75	$0.75
SO_2 Cost ($/coal ton)	$0.03	$0.01	$0.04	$0.01	$0.01
SO_2 Cost ($/MMbtu)	$0.00	$0.00	$0.00	$0.00	$0.00
NO_2 Price ($/ton)	$400.00	$400.00	$400.00	$400.00	$400.00
NO_2 Cost ($/coal ton)	$1.92	$1.85	$1.75	$1.70	$1.30
NO_2 Cost ($/MMbtu)	$0.07	$0.07	$0.07	$0.07	$0.07
CO_2 Price ($/ton)	$0.00	$0.00	$0.00	$0.00	$0.00
CO_2 Cost ($/coal ton)	$0.00	$0.00	$0.00	$0.00	$0.00
CO_2 Cost ($/MMbtu)	$0.00	$0.00	$0.00	$0.00	$0.00
Total Coal Cost ($/ton)	$90.12	$84.03	$60.81	$63.44	$39.33
Total Coal Cost ($/MMbtu)	$3.47	$3.36	$2.58	$2.76	$2.23
Coal Plant Fuel Cost ($/Mwh)	$34.66	$33.61	$25.77	$27.58	$22.35
Plus: Variable O&M ($/Mwh)	$3.00	$3.00	$3.00	$3.00	$4.00
Total Variable Coal Cost ($/Mwh)	$37.66	$36.61	$28.77	$30.58	$26.35
Gas Equivalence					
CCGT Total Variable Fuel Cost ($/Mwh)	$37.66	$36.61	$28.77	$30.58	$26.35
Less: Variable O&M ($/Mwh)	($1.00)	($1.00)	($1.00)	($1.00)	($1.00)
CCGT Fuel Cost ($/Mwh)	$36.66	$35.61	$27.77	$29.58	$25.35
Equivalent Gas Price ($/Mmbtu, at the CCGT)	**$4.89**	**$4.75**	**$3.70**	**$3.94**	**$3.38**
Coal Weightings Across United States	14%	23%	10%	8%	45%
Weighted Average					$3.98

Marginal Coal Capacity MW (11,000+ heat rate)	7,765
Total US Coal Capacity (MW)	336,291
% Marginal Coal Capacity	2.3%
Normal Capacity Factor	65%
Annual Power Volumes Generated (MW)	44,213,910
Coal Displaced (Mmbtu)	442,139,100
Wtd Avg Coal Heat Content (Mmbtu/ton)	21.5
Coal Tons Displaced Anually	20,555,049
"Normalized" Natural Gas Switchable Demand Potential (MMcf/d)	**908.5**

Source: BMO Capital Markets estimates, SNL, EIA.

Sector Comment

IMPORTANT DISCLOSURES

Analyst's Certification
I, Carl Kirst, CFA, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Analysts who prepared this report are compensated based upon (among other factors) the overall profitability of BMO Capital Markets and their affiliates, which includes the overall profitability of investment banking services. Compensation for research is based on effectiveness in generating new ideas and in communication of ideas to clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

Analysts employed by BMO Nesbitt Burns Inc. and/or BMO Capital Markets Ltd. are not registered as research analysts with FINRA. These analysts may not be associated persons of BMO Capital Markets Corp. and therefore may not be subject to the NASD Rule 2711 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Company Specific Disclosures
For Important Disclosures on the stocks discussed in this report, please go to http://researchglobal.bmocapitalmarkets.com/Public/Company_Disclosure_Public.aspx.

Distribution of Ratings (March 31, 2014)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	42.0%	21.5%	60.7%	40.8%	53.6%	53.6%
Hold	Market Perform	52.8%	10.8%	38.2%	52.8%	43.8%	40.8%
Sell	Underperform	5.2%	3.2%	1.1%	6.3%	2.7%	5.6%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.
*** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage of Investment Banking clients.
**** Reflects rating distribution of all companies covered by BMO Capital Markets equity research analysts.
***** Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.

Rating and Sector Key (as of April 5, 2013):
We use the following ratings system definitions:
OP = Outperform - Forecast to outperform the analyst's coverage universe on a total return basis
Mkt = Market Perform - Forecast to perform roughly in line with the analyst's coverage universe on a total return basis
Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis on a total return basis
(S) = speculative investment;
NR = No rating at this time;
R = Restricted – Dissemination of research is currently restricted.

BMO Capital Markets' seven Top 15 lists guide investors to our best ideas according to different objectives (CDN Large Cap, CDN Small Cap, US Large Cap, US Small cap, Income, CDN Quant, and US Quant have replaced the Top Pick rating).

Prior BMO Capital Markets Ratings System (January 4, 2010–April 4, 2013):
http://researchglobal.bmocapitalmarkets.com/documents/2013/prior_rating_system.pdf

Other Important Disclosures
For Other Important Disclosures on the stocks discussed in this report, please go to http://researchglobal.bmocapitalmarkets.com/Public/Company_Disclosure_Public.aspx or write to Editorial Department, BMO Capital Markets, 3 Times Square, New York, NY 10036 or Editorial Department, BMO Capital Markets, 1 First Canadian Place, Toronto, Ontario, M5X 1H3.

Dissemination of Research
BMO Capital Markets Equity Research is available via our website https://research-ca.bmocapitalmarkets.com/Public/Secure/Login.aspx?ReturnUrl=/Member/Home/ResearchHome.aspx. Institutional clients may also receive our

research via Thomson Reuters, Bloomberg, FactSet, and Capital IQ. Research reports and other commentary are required to be simultaneously disseminated internally and externally to our clients.

General Disclaimer

"BMO Capital Markets" is a trade name used by the BMO Investment Banking Group, which includes the wholesale arm of Bank of Montreal and its subsidiaries BMO Nesbitt Burns Inc., BMO Capital Markets Ltd. in the U.K. and BMO Capital Markets Corp. in the U.S. BMO Nesbitt Burns Inc., BMO Capital Markets Ltd. and BMO Capital Markets Corp are affiliates. Bank of Montreal or its subsidiaries ("BMO Financial Group") has lending arrangements with, or provide other remunerated services to, many issuers covered by BMO Capital Markets. The opinions, estimates and projections contained in this report are those of BMO Capital Markets as of the date of this report and are subject to change without notice. BMO Capital Markets endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO Capital Markets makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO Capital Markets or its affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any security. BMO Capital Markets or its affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. BMO Capital Markets or its affiliates, officers, directors or employees have a long or short position in many of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that BMO Capital Markets or its affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein.

Additional Matters

To Canadian Residents: BMO Nesbitt Burns Inc. furnishes this report to Canadian residents and accepts responsibility for the contents herein subject to the terms set out above. Any Canadian person wishing to effect transactions in any of the securities included in this report should do so through BMO Nesbitt Burns Inc.

The following applies if this research was prepared in whole or in part by Andrew Breichmanas, Iain Reid, Tony Robson, David Round, Edward Sterck or Brendan Warn: This research is not prepared subject to Canadian disclosure requirements. This research is prepared by BMO Capital Markets Limited and subject to the regulations of the Financial Conduct Authority (FCA) in the United Kingdom. FCA regulations require that a firm providing research disclose its ownership interest in the issuer that is the subject of the research if it and its affiliates own 5% or more of the equity of the issuer. Canadian regulations require that a firm providing research disclose its ownership interest in the issuer that is the subject of the research if it and its affiliates own 1% or more of the equity of the issuer that is the subject of the research. Therefore BMO Capital Markets Limited will only disclose its and its affiliates ownership interest in the subject issuer if such ownership exceeds 5% of the equity of the issuer.

To U.S. Residents: BMO Capital Markets Corp. furnishes this report to U.S. residents and accepts responsibility for the contents herein, except to the extent that it refers to securities of Bank of Montreal. Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Capital Markets Corp.

To U.K. Residents: In the UK this document is published by BMO Capital Markets Limited which is authorised and regulated by the Financial Conduct Authority. The contents hereof are intended solely for the use of, and may only be issued or passed on to, (I) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (II) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together referred to as "relevant persons"). The contents hereof are not intended for the use of and may not be issued or passed on to, retail clients.

Click here for data vendor disclosures when referenced within a BMO Capital Markets research document.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

BMO Financial Group (NYSE, TSX: BMO) is an integrated financial services provider offering a range of retail banking, wealth management, and investment and corporate banking products. BMO serves Canadian retail clients through BMO Bank of Montreal and BMO Nesbitt Burns. In the United States, personal and commercial banking clients are served by BMO Harris Bank N.A. (Member FDIC). Investment and corporate banking services are provided in Canada and the US through BMO Capital Markets.

BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Harris Bank N.A. (Member FDIC), BMO Ireland Plc, and Bank of Montreal (China) Co. Ltd. and the institutional broker dealer businesses of BMO Capital Markets Corp. (Member SIPC) and BMO Capital Markets GKST Inc. (Member SIPC) in the U.S., BMO Nesbitt Burns Inc. (Member Canadian Investor Protection Fund) in Canada, Europe and Asia, BMO Capital Markets Limited in Europe and Australia, and BMO Advisors Private Limited in India.

A member of **BMO Financial Group**

COMPANY NOTE

Target | Estimate Change

USA | Energy | Natural Gas

September 22, 2014

Jefferies

EQUITY RESEARCH AMERICAS

NiSource Inc. (NI)

Let's Talk Capex Baby, Let's Talk About M-L-P

HOLD
Price target $40.00
(from $37.00)
Price $39.76

Key Takeaway

On Sept. 29th, NI will hold an Investor Day in NYC to review business operations & discuss strategic plans. We expect investors will seek color on large-ticket initiatives such as Rayne/Leach & WB XPress, project status updates & indications of incremental growth opportunities, and revisions to EPS & dividend growth targets. Moreover, after years of mounting MLP speculation, we believe mgmt is poised to formally commit to an MLP creation in 2015.

Potential guidance updates. At its last Investor Day in 2012 (NI historically hosts these events biennially), the company unveiled 5-7% EPS & 4-6% dividend growth targets, outlooks to which it has since held fast. However, with the ongoing ramp-up of existing operations, an expanding inventory of high-quality midstream investment opportunities, and the potential for an MLP structure to provide a lower cost of capital, we believe mgmt may revise these targets higher. Specifically, we project a 2014-19 EPS CAGR of ~8.5% and a dividend CAGR of ~9.0% over the same period. We also anticipate initial 2015 non-GAAP EPS guidance range of $1.80-$1.90 ($1.87 JEFe).

Key projects & investments. With NI's much-anticipated Rayne/Leach XPress project now formally in execution, we look to the Investor Day for additional discussion regarding its size, timing, and return profile. We also anticipate more detail regarding the WB XPress initiative, which remains under development. Finally, we note the potential for new investment announcements and would expect a positive response to such news given the market's recent conditioning to value backlog opportunities.

Anticipating a formal MLP decision. With a projected ~$400-500mm equity / equity-alternative financing need next year, we expect NI to announce formal plans to create an MLP in 2015. In addition to its FERC-approved modernization investments & market-driven expansions, CPG has a large & low-risk backlog of drop-down suitable assets which we believe will enable an NI-MLP to articulate a competitive growth story. We view a midstream MLP as the most attractive alternative financing solution for NI and detail our analysis on pages 5-7.

Valuation/Risks

We are lifting our PT to $40, from $37, due to higher projected 2016 CPG EBITDA and other model adjustments; our PT is derived via a combination of DCF, SOP, and target yield approaches. Deviations in assumptions regarding rate case outcomes, interest rates, capital costs, and project execution could alter our cash flow projections and price target.

USD	Prev.	2013A	Prev.	2014E	Prev.	2015E	Prev.	2016E
Cons. EPS	--	--	1.68	1.70	1.80	1.84	1.97	2.00
DPS	--	0.98	–	1.02	1.07	1.08	1.14	1.17
EBITDA (MM)	--	1,729.4	1,885.9	1,891.5	2,093.2	2,097.6	2,235.3	2,250.7
EV/EBITDA		12.3x		11.2x		10.1x		9.4x
EPS								
Mar	--	0.69	–	0.79A	--	--	--	--
Jun	--	0.23	–	0.25A	--	--	--	--
Sep	--	0.16	--	0.17	--	--	--	--
Dec	--	0.46	--	0.50	--	--	--	--
FY Dec	--	1.54	--	1.70	1.88	1.87	1.96	1.98
FY P/E		25.8x		23.4x		21.3x		20.1x

Financial Summary

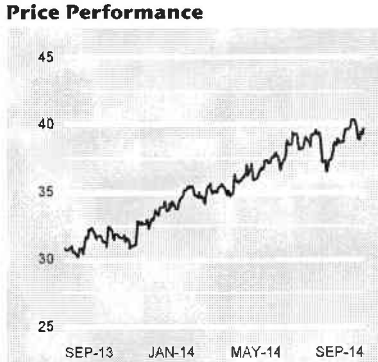
Net Debt (MM):	$8,723.7
Net Debt/Capital:	59.1%
Long-Term Debt (MM):	$7,640.6
Dividend Yield:	2.6%

Market Data

52 Week Range:	$40.66 - $30.09
Total Entprs. Value (MM):	$21,260.0
Market Cap. (MM):	$12,536.3
Shares Out. (MM):	315.3
Float (MM):	312.7
Avg. Daily Vol.:	1,827,357

Christopher Sighinolfi, CFA *
Equity Analyst
(212) 707-6420 csighino@jefferies.com
Christopher Tillett *
Equity Associate
(212) 284-4697 ctillett@jefferies.com
Corey Goldman *
Equity Associate
(212) 284-3411 cgoldma1@jefferies.com
* Jefferies LLC

Price Performance



NI

Target | Estimate Change

September 22, 2014

NiSource, Inc. (NI)

Hold: $40 Price Target

Scenarios

Target Investment Thesis

- Infrastructure modernization programs to generate steady growth & returns across all segments over the next decade
- NI will IPO a midstream MLP in mid-2015, to be announced in 3Q14
- Multiple growth projects in midstream segment add to overall Utica/Marcellus takeaway capacity; projects are delivered on time and on budget
- 2015 EPS: $1.87; 3Q15 dividend: $0.28/share; Target Price $40

Upside Scenario

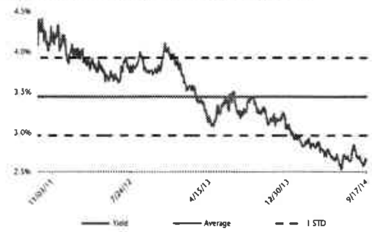
- Midstream growth projects come online ahead of schedule, under budget, and with above-forecast initial utilization rates, booting return characteristics
- MLP trades with a yield below ~2.0%
- Population growth in LDC service territories trends above our forecasts
- Extreme winter (cold) and summer (hot) weather patterns create conditions for added cash flow generation
- 2015 EPS: $1.95; 3Q15 dividend: $0.29/share; Target Price: $45

Downside Scenario

- Expansion projects presently in execution incur cost overruns & implementation delays, crimping returns
- MLP growth rate stunted by poor performance or market conditions
- Adverse rate case outcomes and an inability to earn authorized ROE levels
- Rising interest rates crimp cost of capital, & target yield expectations; inability to secure additional investment projects
- 2015 EPS: $1.80; 3Q15 dividend: $0.27/share; Target Price: $31

Long Term Analysis

Historical Dividend Yield (3-year)



Source: FactSet, Jefferies estimates

Long Term Financial Model Drivers

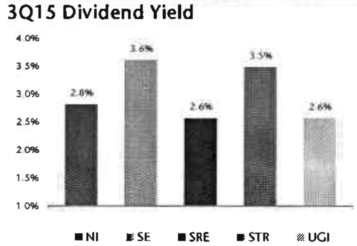
LT Earnings CAGR	**~8.5%**
5-Year Dividend CAGR	**~9.0%**
Earnings Payout Ratio	**~60%**
Terminal Cash Flow Growth Rate	**2.0%**

Other Considerations

We have assumed dropdowns to an NI-MLP occur at an escalating scale through the end of the forecast period and are completed on terms to enable distribution growth at a rate of ~20%/year. We note that EBITDA may not be dropped at exactly this rate, but we are comfortable with the distribution growth assumption given additional levers (coverage, maintenance capex, equity/debt raises) available to mgmt.

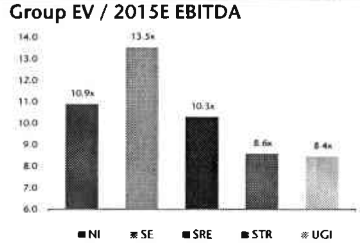
Peer Group

3Q15 Dividend Yield



Source: FactSet, Jefferies estimates

Group EV / 2015E EBITDA



Source: FactSet, Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
NI	**Hold**	**$40**
SE	Hold	$39
SRE	NC	NC
STR	Hold	$25
UGI	Hold	$48

Catalysts

- Formal announcement of MLP formation
- Project in-service announcements and the repopulation of expansion growth backlog
- Periodic regulatory decisions; extension of midstream modernization programs to 10+ years
- Dividend raises (we anticipate increases in paid dividends will occur in 3Q each year)

Company Description

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4 million US customers. The Company operates through three segments: Gas Distribution, Columbia Pipeline Group, and Electric. The Gas Distribution operations provide natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. Columbia Pipeline Group offers gas transportation and storage services for Local distribution companies, marketers and industrial and commercial customers located in Northeastern, Mid-Atlantic, Midwestern and Southern states. The Electric Operations segment provides electric service in various counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Key Investor Day Discussion Topics

The upcoming Investor Day presents management with a forum to review its operations & illustrate strategic growth initiatives. We expect many executives to be present at the event and anticipate the day's discussion to principally focus on the following topic areas:

MLP decision. After illustrating a sustainable capex plan of ~$2B/year, annual funding requirement of $500-$700mm, and the likelihood of a 2015 equity issuance at its Sept. 2012 Investor Day, the market has weighed NI's alternative financing options and endlessly discussed the potential for a midstream MLP formation. In recent conference calls, NI has sought to table the MLP question until its 2014 Investor Day and, as we have previously stated, we expect plans for a 2015 MLP IPO to be communicated at the event.

In total, Columbia Pipeline Group's inventory of identified expansion & modernization projects totals $8-$10B over the next five-to-ten years. We believe this sizable, low-risk investment opportunity, along with a large stable of existing drop-down suitable assets, will enable an NI-MLP to offer a highly competitive MLP growth story. In fact, with drop-downs used to fund organic growth projects, we think the MLP model offers strategic benefits to NI and represents its most attractive alternative financing solution. Our specific MLP analysis is featured on pages 5-7; however, we believe it will be structured similar to other recent drop-down driven MLPs and capable of sustainably offering 20% annual distribution growth. Moreover, we expect the regulated nature of CPG's growth backlog to assuage investors' concerns about the stability of the MLP's growth profile.

Guidance for 2015 & beyond. Management has maintained its respective 5-7% EPS & 4-6% dividend growth guidance since its 2012 Investor Day; however, with a host of newly announced organic growth projects, a continued ramp of existing expansions, several favorable regulatory outcomes since that date, and the potential for an MLP to provide for a lower cost of capital than initially contemplated, we believe management is likely to update both its earnings and dividend growth expectations. We anticipate modest upward revisions to these forecasts and project the new EPS and dividend growth guidance to both range 7-9%. We also expect management will unveil 2015 non-GAAP EPS guidance of $1.80-$1.90; our formal 2015 EPS estimate is $1.87.

Capital investment update. As the anticipated MLP will be utilized principally to fund NI's growing backlog of midstream investments, we expect management to spend a fair amount of time discussing new and ongoing projects. For example, last month, NI formally announced the Rayne & Leach XPress projects, a combined $1.75B investment which will provide up to 1.5 Bcf/d of natural gas transportation capacity from Marcellus & Utica production areas to markets served by Columbia Gulf & Columbia Transmission. Given the size/scale of these projects, we expect more color on their timing/return profiles and anticipate additional detail on the WB XPress project, which remains in development.

Valuation

We have lifted our PT to $40, from $37, due to higher projected 2016 CPG EBITDA and other model adjustments; our target is derived via a combination of DCF, SOP, and target yield approaches. With modernization projects, environmental upgrades, and midstream investments we project 5-year EPS & dividend CAGRs of ~8.5% and ~9.0%, respectively. However, at current levels we believe shares are fairly valued and maintain a Hold rating.

Risks

Deviations in our assumptions regarding regulatory outcomes, interest rates, capital costs, and project execution could alter our cash flow assumptions. Similarly, differences in MLP decisions could alter our valuation analysis and price target.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Expecting a Formal MLP Announcement

In our initiation on NI (Pricing in Perfection), we commented extensively on the possibility of a NiSource MLP. NI management has publicly stated it needs an equity infusion of $400-$500mm in mid-2015 to fund its growth & has acknowledged it is investigating a midstream MLP IPO as an alternative means of providing that financing. Since initiating coverage in April, we have continued to discuss the MLP option with management and investors, and now firmly believe a NI-MLP will exist by early/mid 2015; we expect a formal MLP announcement at the analyst day next week. However, given NI's YTD performance, its current share price, and the negative performance of yieldco sponsors following their recent yieldco IPOs, we remain neutral on the shares despite the Company's strong fundamental positioning.

Updates to Capital Plan

Rayne/Leach XPress

In mid-August NI announced that it had moved its much-anticipated Rayne/Leach XPress project into execution. The $1.75B, 1.5 Bcf/d project will provide northeastern producers with critical additional access to Midwest and Gulf Coast markets. The project involves construction of 160 miles of pipeline, additional compression, and related facilities on NI's Columbia Transmission & Columbia Gulf systems and is supported by long-term firm shipping contracts with Range Resources, Noble Energy, Kaiser Marketing Appalachian, and American Energy Partners.

WB XPress

We also look to the Investor Day for information on NI's WB XPress project, which remains in development. We estimate the project to cost ~$750mm and management has noted an expected completion date for the 1.3 Bcf/d pipeline in 4Q18. The project will provide additional takeaway capacity to Marcellus producers with access to major pipeline interconnects in both eastward and westward directions.

Capital Expenditure Guidance

In prior presentations, management has guided a ~$2B+ yearly capex plan, a level which we expect will continue, or be revised only modestly upward. Additional opportunities for capital expenditures could include incremental pipeline enhancements, expansion of NI's gathering & processing JV, Pennant Midstream, additional northeast G&P projects or JV's, and/or development of LNG opportunities associated with NI's Columbia Gulf pipeline and Cameron Access projects. In addition, we highlight the modernization programs present at all three NI subsidiaries and note the potential for additional expansion projects at the gas and electric distribution businesses.

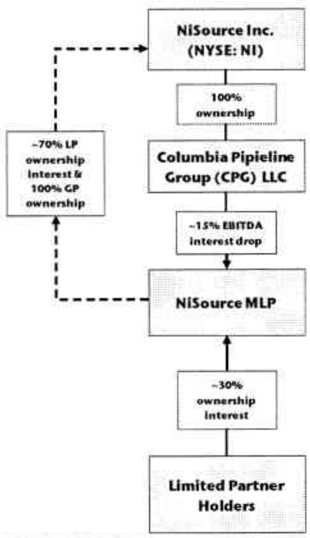
The NI Approach to Midstream Growth

NI mgmt's extensive experience with regulated gas and electric utilities has fostered a differentiated strategy when it comes to the company's midstream assets.

NI's approach to growth is unique, even among other midstream players; management's extensive experience with regulated gas and electric utilities has fostered a differentiated strategy when it comes to the company's pipeline & storage assets. In January 2013, NI and the FERC agreed to a 5-year settlement on a systematic infrastructure replacement program for the Columbia Gulf Transmission system, amounting to $300mm/year in capital spending beginning in 2013. Management has also noted that it is actively seeking to expand this program to 10+ years and it believes such an agreement is likely. The relative age of this pipeline system and its prime positioning atop the prolific Appalachian gas basins make this system an ideal candidate for such a modernization program. The program represents $300mm/year of tracked, regulated infrastructure investment over the next five years, which is in addition to any growth generated by a number of pipeline expansion and greenfield projects NI has already laid out over the next decade. NiSource is the only midstream name to have a regulated modernization program of this kind.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 1: Potential MLP Structure



Source: Jefferies estimates

Exhibit 2: NI MLP Assumptions

Model Inputs	
2015 Market Cap to DCF	18.5x
IPO Price	$22.00
Target Interest Rate	5.0%
Total Units Outstanding @ IPO	74.72
Float Year 2015	15.0%
2016 Dropdown	20.0%
2017 Dropdown	27.5%
2018 Dropdown	30.0%
2019 Dropdown	37.5%
Project Finance Equity	50.0%
Maintenance Capex as % EBITDA	15.0%
Incremental MLP Value to NiSource	
Assumed MLP 2016 Yield when Trading	2.50%
Total MLP Market Cap	$4,092
2016 NI Ownership	61.3%
Net Market Cap to NiSource	$2,510

Source: Jefferies estimates

In total, CPG's inventory of identified expansion & modernization projects totals $8-$10B over the next five to ten years. With such a large & low-risk opportunity, we view the midstream growth prospects of an NI-MLP as best-in-class and think achieving a sustained ~20%+ distribution CAGR over the first few years is a realistic goal. We would also expect the regulated nature of this growth to assuage any investors' concerns about the stability of the potential distribution growth & to draw a premium valuation relative to MLP peers.

Valuing an NI-MLP

How Might a NiSource MLP be structured?

Given the projected $400-$500mm mid-2015 equity need, we believe NI will initially seed its MLP with ~$110mm in annual EBITDA and sell an approximate 30% interest in it to the public. While we expect NI-MLP to trade at a premium valuation given the caliber of its assets & drop-down inventory, we assume that its initial sale to the public will price at an implied ~15.0x FY EV/LP-EBITDA multiple, a ~2.0x discount to the current midstream MLP group average, in order to ensure robust demand & strong, supportive initial trading behavior. In addition, to limit market confusion regarding its future drop-down inventory, we believe NI will first consolidate its pipeline interests into a single LLC entity, then drop-down an increasing ownership interest in the LLC to NI-MLP. It is our belief that NI would need to initially drop ~15% of total CPG 2015E EBITDA (~$110mm) into the MLP & could retain a ~70% limited partner (LP) interest, to generate ~$450-500mm in targeted proceeds and mitigate any potential tax leakage from the deal (see Exhibit 2).

The Devil in the Details

Since NI has not yet formally announced an MLP, our calculations of any potential value are based on historical precedents as well as our best estimate of what would be strategically most beneficial to NI in terms of structure, timing, and cash flow. We have assumed an IPO price of $22/unit, no initial MLP debt, and an IPO date at the mid-point of 2015. From these base assumptions we are able to build a crude MLP model with three primary goals: 1) raise approximately $450-$500mm in retained IPO proceeds for NI, 2) target an initial ~20% distribution CAGR, and 3) target a net debt/EBITDA ratio of ~4.0x by YE2019. It is through achieving these goals that we believe NI will be able to maximize the value of its MLP as well as the value of its GP & IDR interests.

- At an IPO price of $22/unit, NI would need to sell ~19-24mm LP units to raise its targeted $400-$500mm in retained proceeds; given its extensive organic growth opportunities, we have assumed 22mm units are sold & ~$475mm is retained.
- At the $22 IPO price, we have assumed a target yield of ~4.0% based on SEP's implied 3Q15 yield of ~4.7% & VLP's implied 3Q15 yield of ~2.5%. This target yield is not a trading yield, but is simply used to determine an initial quarterly distribution assumption at the IPO, which we estimate at ~22¢/unit.
- Our assumptions for the quarterly distributions & dropdowns are codependent:
    - As previously stated, we have assumed ~15% of Columbia Pipeline Group's (CPG's) 2015E EBITDA will be dropped into the MLP upon IPO
    - To achieve desired distribution growth without sacrificing LP coverage, we have assumed incremental drops of escalating EBITDA size, ranging from ~$60mm (annual EBITDA) in 2016 to ~$130mm in 2019
    - We assume drop-downs are funded 50/50 debt/equity & that LT debt is raised at a static average coupon of 5.0%. As VLP currently implies a 3Q15 distribution yield of ~2.5%, we assume that NI-MLP will trade to that range post-IPO (~2.5%) & we've formally modeled a ~2.6% 1Q16 target yield for equity raises (~3.8% discount to market price), with an assumption the target yield rises by ~0.35%/year through 2018.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

- We assume distribution raises of 1.25¢/unit begin immediately after the IPO and accelerate in 2016-2019 at a pace which allows NI-MLP to achieve an approximate 20% annual growth rate.

- Maintenance capex represents 15% of the MLP EBITDA. We note that on a TTM basis, CPG depreciation has approximated 20% of its EBITDA so, in effect, our assumption is that maintenance capex will run roughly 75% of depreciation. We expect this ratio will decline over time as many MLPs run closer to ~50% and have modeled it to fall to roughly 10% of EBITDA by 2019.

Under these assumptions, we estimate NI-MLP would have ~$500mm in 2019 EBITDA, DCF of ~$390mm, and LP coverage of ~1.2x. *While this LP coverage may appear too lofty to some, we note that EPB carried an average LP coverage ratio of ~1.5x from 2008-2012, a period in which it acquired ~$820mm in annual EBITDA via drop-downs at a total cost of ~$7.4B*. The drop-down/distribution growth scenario we have modeled would also allow the MLP to power through its IDRs, cresting our assumed 50% split level within just nine quarters following the IPO, thereby maximizing the value of NI's GP ownership position.

As rates rise, it will likely become more expensive for MLPs to raise the equity & debt necessary to fund expansions, squeezing project returns and potentially curtailing market perceptions of the sector's growth backlog. NI MLP's assumed debt free beginnings will help insulate it from this capital market risk.

It is worth noting the advantage to a young MLP of IPOing with no initial debt, as we have assumed for NI MLP. In the present rate environment, access to capital is unrestricted and capital itself is cheap, which has aided MLPs as they pursue organic growth initiatives and acquisitions. Fed Chairman Janet Yellen has been known as a supporter of easy monetary policy, but if (and when) that situation reverses, funds may begin to flow elsewhere as investors seek higher yields and MLPs struggle to grow distributions commensurate with inflation. MLPs are largely evaluated upon their growth prospects, which have multiplied since the crisis as domestic oil & gas supplies have been discovered and low interest rates have enabled inexpensive forms of financing. As rates rise, however, it will likely become more costly for MLPs to raise the equity & debt necessary to fund such expansions, squeezing project returns & curtailing market perceptions of the sector's investable backlog. NI-MLP's assumed debt-free beginnings will help insulate it from this capital market risk and minimize headwinds to its drop-down strategy as leverage gradually grows to a 3x-4x net debt / EBTIDA level.

So, what's it worth?

To find the value of the MLP to NI, we have assumed that the units of the partnership trade at a 2.5% yield following the IPO. Though this is less than half the average yield of our MLP coverage universe, we note that EQM, MPLX, PSXP, and VLP all trade with implied 3Q yields of ~2.0%-2.5%. Given the caliber of NI-MLP's assets & drop-down inventory, and our estimate of a ~20% distribution CAGR from IPO through 2019, we believe a ~2.5% trading yield is a defensible assumption for post-IPO equity value.

We estimate NI will own ~61% of all outstanding LP units as of the end of 2016, implying a $1.8B net market cap to NiSource after consideration for a 20% LT cash tax rate and a 10% liquidity discount.

We calculate a NI MLP market cap of roughly $4.1B as of the end of 2016 (presumed first full calendar year in operation) based on a 2.5% projected yield, a $1.19/unit annualized 4Q16 distribution rate, and ~86.0mm LP units given the aforementioned variables. Our model assumes NI does not make incremental sales of its own LP unit interests (i.e. NI permanently holds the units it retains at the IPO), but we note that should NI require a cash infusion at some later date (beyond what it will raise via drop-downs), selling those units would be a realistic funding option. But assuming no sale, we estimate NI will own ~61% of all outstanding LP units as of YE2016, implying a $1.8B net market cap to NI after accounting for a assumed ~20% long-term cash tax rate and a 10% liquidity discount.

With the potential for such strong distribution growth, NI's MLP could quickly ramp through its IDR structure; we currently estimate the 50% splits are reached within nine quarters.

Longer-term, the most valuable aspect of sponsoring an MLP comes from the ability to receive Incentive Distribution Rights (IDRs). As previously stated, our NI-MLP drop-down & distribution assumptions result in quarterly distributions that trigger the 50% IDR splits in 3Q17. The value of these GP cash flows is compounded by the fact that they continue to grow at a much faster rate than LP unit distributions and require only minimal future

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

equity infusions from the GP (just enough to maintain the 2% book equity GP position). For NI-MLP, we value the GP payments based on projected 2018 GP distributions of $45mm, tax effected at the statutory 35% rate, and ascribe a 25x multiple to find an implied equity value. The GP multiple selected represents an approximate 5x premium to PAGP's ~20x marketcap / 2018E GP DCF multiple, which we believe is appropriate given NI's faster pace of GP cash flow growth. PAGP's sole assets are ownership rights in Plains All American's (PAA) GP, and it offers the purest comp in the group.

Our SOP analysis yields a ~$40 price for NI, including ownership of LP units and GP IDR cash flows.

With these considerations, we calculate a ~$40/share value for NI via a Sum-of-the-Parts valuation analysis (see Exhibit 3 below). This SOP approach incorporates a ~$1.8B equity value for NI's assumed LP ownership position & a ~$735mm equity value for its GP ownership. We ascribe a 9.25x EV/EBITDA multiple to NI's Gas Distribution business (a premium to peers), a 12x EV/EBITDA multiple to CPG's remaining (non-dropped) EBITDA as this is the multiple at which we assume the remaining asset will be dropped, and we use an 8.75x EV/EBITDA multiple for NI's Electric utility. Please carefully read the footnotes to Exhibit 3 for additional detail on our analysis & explanation of our valuation assumptions. Of note, at management's direction, we do not ascribe any value to the ~14,000 net acres NI owns in Ohio given no near-term plans to develop (drill) the area nor any current plans to monetize the position. In addition, as our SOP ascribes multiples to projected 2016 EBITDA & the estimated growth in EBITDA over the next few years will be partially funded by additional leverage, we incorporate a projected YE2016 Balance Sheet, excluding any debt transferred to the MLP, when translating our enterprise value estimation into an equity value projection.

Exhibit 3: NI Sum-of-the-Parts

Sum-of-the-Parts Valuation			
Operating Segment	2016E EBITDA	Multiple	Implied EV
Gas Distribution	$816	9.25x	$7,547
Columbia Pipeline Group (less MLP)	$686	12.00x	$8,234
MLP Market Cap net to NI			$1,807
2018 GP Distributions	$45	25.00x	$735
Electric Distribution	$543	8.75x	$4,755
Corporate & Other	$13	5.00x	$63
		Enterprise Value	$23,141
		(Net Debt)	($10,693)
		(Pension & Operating Lease Obligations)	($160)
		Plus Inventory	$425
		Implied Market Cap	$12,713
		Shares Outstanding	316.1
		Implied 12-Month Price Target	**$40.20**

Source: NI reports and Jefferies estimates

Note: We ascribe a 0.75x premium to the gas utility peer group multiple given the large service territory, modernization programs, and generally favorable regulatory climate. The CPG EBITDA excludes EBITDA dropped to NI-MLP by 2016 and 12.0x is the FY multiple we assume for drop-downs. For LP valuation, we assume NI-MLP trades with a distribution yield of 2.5% in 2016 and NI retains a ~60% LP position; we've tax effected this at a 20% LT cash tax rate & assumed a 10% liquidity discount given NI's sizable retained LP position. The 25.0x multiple ascribed to 2018 GP distributions is a 5.0x premium to PAGP's current 2018 GP multiple which we believe is appropriate given its much faster rate of GP cash flow growth; we tax-effect GP distribution by the 35% statutory rate. As we have employed 2016 EBITDA in this analysis, we have rolled the Balance Sheet to YE2016 expectations and excluded the debt held by the MLP. In addition, we only hit NI for 25% of estimated pension shortfall as we view it longer-term as a rate payer issue. Finally, our PT has been rounded to the nearest 10¢.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

NI

Target | Estimate Change

September 22, 2014

Where's the Initial Value?

Exhibit 4 details the performance of high profile yieldco & MLP entities recently IPOed, as well as the performance of their respective sponsors. Despite opening on average >22% over their IPO price, new YTD yieldco/MLP entities have continued to showcase strength, outperforming their parent sponsors by an average of roughly 35% since the IPO. *Meanwhile, we highlight that the sponsor of the latest yieldcos & MLPs (ABG, NEE, SUNE, WLK, RIG) have nearly all sold off since the IPOs, declining an average of ~6%.* We believe there are several explanations for the relative performance delta between yieldcos/MLPs and sponsors, including 1) event selling, 2) rotation into higher yields, 3) rotation into *presently* faster growing dividends, 4) tax-exempt status, and 5) IDR read through.

With IDR structures, GPs are entitled to receive an increasing amount of MLP/yieldco cash flow after satisfying certain preset payout targets to their LPs. IDRs align the interests of the GP with those of the LP as they incent the GP to improve operating performance and increase cash flows to the Limited Partners. The target levels (also referred to as splits) are typically set according to a predefined formula, the most common of which is a fixed percentage above the MQD on all units (15%, 25%, and 50%). However, IDRs can also produce a longer-term misalignment in GP vs. LP incentives.

In the early stages of a yieldco/MLP (~1-3 years), we believe the Partnership benefits more from the IDR framework than the parent as the parent is highly incentivized to grow distributions as fast as possible in order to reach the high splits, but is not mature enough to act as a cost of capital drag. Once the highest split (typically 50%) is reached, we believe the IDR benefits swiftly and permanently shifts in favor of the GP.

Exhibit 4: Yieldco & MLP Comparative Table

Yield Co / MLP Name	Ticker	Parent Name	Ticker	IPO Date	IDRs	IPO Range Price	IPO Price	Opening Price	Premium	Yieldco / MLP Performance Since IPO	Parent Performance Since Yieldco / MLP IPO
NRG Yield	NYLD	NRG Energy	NRG	7/18/2013	No	$19-$21	$22.00	$26.75	21.6%	129.9%	8.5%
Abengoa Yield	ABY	Abengoa	ABG	6/13/2014	No	$23-$25	$29.00	$35.16	21.2%	29.9%	(1.9%)
NextEra Energy Partners	NEP	NextEra Energy	NEE	6/27/2014	Yes	$23-$25	$25.00	$32.55	30.2%	45.8%	(6.2%)
TerraForm Power	TERP	SunEdison	SUNE	7/18/2014	Yes	$23-$25	$25.00	$33.25	33.0%	20.3%	(11.3%)
Westlake Energy Partners	WLKP	Westlake	WLK	7/30/2014	Yes	$19-$21	$24.00	$30.28	26.2%	28.1%	5.9%
Transocean Partners	RIGP	Transocean	RIG	7/31/2014	Yes	$19-$21	$22.00	$22.00	0.0%	19.5%	(17.4%)
YTD Average									22.1%	28.7%	(6.2%)

Source: FactSet

Note: Averages are only for entities which have undergone structural change in 2014.

The negative performance of YTD yieldco & MLP sponsors offers a cautionary note, we believe, for investors bidding up C-corp. shares ahead of affiliated MLP or yieldco IPOs. Recent examples indicate the early opportunity is in the LP itself and not its GP sponsor.

While it is difficult to decipher exactly how much value is currently imbedded within NI shares for its MLP opportunity given 1) a deepening midstream investment inventory, 2) supportive YTD regulatory outcomes, and 3) persistent takeout speculation, we highlight that Dominion (D, $68.92, Hold), a close competitor of NI, has traded roughly flat since it filed an MLP S-1 in March, underperforming its utility peer index by ~7% over that period. Furthermore, we note that NI shares have run ~11.3% since our April 2nd initiation, sizably outperforming the utility index (XLU) by ~780 bps but closely tracking the MLP index (AMZ), which is up ~13.9% over the period. Accordingly, we believe the market has already imputed the increasing likelihood of an NI-MLP into the company's valuation. For utility investors with overweight positions in the name, this has led to significant relative outperformance; however, we caution that it also renders NI more susceptible to MLP market behavior (vs. utilities) going forward and heightens the trading risk illustrated in Exhibit 4 above.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

NI

Target | Estimate Change

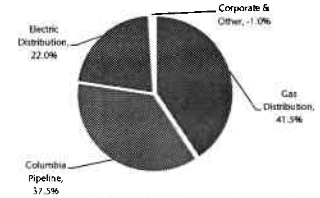
September 22, 2014

Company Background & Asset Profile

NiSource, Inc. (NYSE: NI) is an energy holding company whose subsidiaries consist of regulated energy providers serving the Midwest and Mid-Atlantic regions as well as a natural gas midstream operator with a large pipeline footprint across the Marcellus and Utica shales. Organized under the name NIPSCO Industries, Inc. in 1987, NiSource changed its name in 1999 and now serves some of the nation's most dynamic energy markets with services in natural gas transmission, storage, and distribution as well as electricity generation, transmission, and distribution. NiSource serves over 3.8 million customers in the eastern United States.

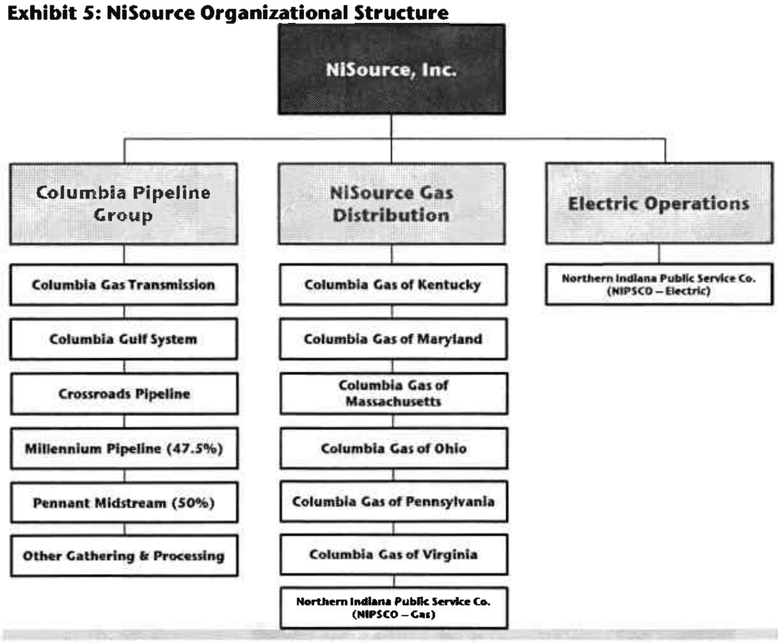
NiSource reports results in three segments: Columbia Pipeline Group, NiSource Gas Distribution, and NiSource Electric Operations. The company's headquarters are in Merrillville, IN.

Chart 1: F14E EBIT Composition



Source: Jefferies estimates

Exhibit 5: NiSource Organizational Structure



Source: NI, Jefferies

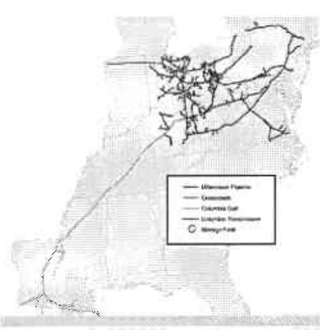
Segment Overview

Columbia Pipeline Group

The Columbia Pipeline Group (CPG) segment transports and delivers large volumes of natural gas to LDCs and other industries across 16 states and the District of Columbia. CPG owns and operates nearly 15,000 miles of pipeline as well as one of the nation's largest underground storage facilities at a capacity of ~650 Bcf. CPG's three principal subsidiaries (Columbia Gas Transmission, Columbia Gulf System, and Crossroads Pipeline) own and operate interstate pipelines across the eastern seaboard from Texas to New York.

Columbia Gas Transmission moves an average of 3 Bcf/d of natural gas through 12,000 miles of pipelines and 92 compressor stations in 10 states.

Exhibit 6: CPG



Source: NiSource

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

The system also includes 37 storage fields with 650 Bcf of total storage capacity. Columbia Gas Transmission's customers include LDCs, power generation facilities, energy marketers, and other industrial and commercial end users.

Columbia Gulf Transmission is an interstate pipeline system with roughly 3,400 miles of pipeline and 11 compressor stations. Columbia Gulf is connected to nearly every major pipeline system on the Gulf Coast, providing significant access to a variety of natural gas markets.

Crossroads Pipeline is a 200-mile interstate pipeline across Ohio and Indiana with interconnects to Natural Gas Pipeline Company of America, Trunkline Gas Company, Vector Pipeline, and Panhandle Eastern which allow for service to supply areas in the Mid-Continent, Rocky Mountains, Gulf Coast, Permian Basin and Canada.

The company also participates in a number of storage and transmission JVs across the Marcellus. Hardy Storage Company is a joint venture between CPG and Piedmont Natural Gas with a working storage capacity of 12 Bcf in West Virginia. Millennium Pipeline, a venture with National Grid and DTE Energy, is a 182-mile pipeline across New York State delivering 0.53 Bcf/d to Northeast markets.

Growth Projects & Modernization Program

Pipeline Modernization – In January 2013, NiSource and FERC agreed to a 5-year settlement on a systematic infrastructure replacement program on the Columbia Gas Transmission system. The capital spending for the program is expected to be ~$300mm/year and began in 2013. During the 4Q13 earnings call, management noted that recovery on 2013 spending will begin on Feb. 1, 2014 and that investors can expect an additional $300mm/year through 2018. Management has also noted that there is potential to expand this program, which generates a steady, regulated return on NiSource's pipeline system.

Pennant Midstream – The Pennant Midstream project is a joint venture with Harvest Pipeline Company (an affiliate of Hilcorp Energy) to build an NGL pipeline as well as gathering & processing facilities in the Utica shale region of East Ohio. The NGL pipeline will connect the Hickory Bend processing facility to the UEO Kensington facility at a capacity of 90,000 Bbl/d. Projected in-service on this pipe is the third quarter of 2014.

The gathering & processing assets will have capacity for 600 MMcf/d of gathering and 200 MMcf/d of processing. These assets began providing service in December of 2013, and given similar assets in the region, we expect the facilities to ramp slowly to full service. Management has also indicated there is room for expansion on these assets, and the total project costs are expected to reach $370mm, $185mm of which will be paid by NiSource.

Cameron Access – Once completed, Cameron Access will connect NiSource's Columbia Gulf pipeline to Sempra's Cameron LNG terminal on the Gulf Coast. This facility received DOE approval for LNG exports in February 2014, FERC approval in June 2014, and NI expects its pipeline to be operational by the end of 2017. The project is expected to be able to transport 800 MMcf/d of gas from numerous supply basins to the export terminal and should cost ~$300mm; management announced on the most recent earnings call that CPG has already entered into binding precedent agreements for this project.

West Side Expansion – The West Side Expansion project is a ~$200mm investment expected to bring an additional 500MMcf/d of capacity on NiSource's Columbia Gas Transmission system to transport Marcellus gas to markets on the Gulf Coast. The anticipated full in-service date on this project is 4Q14.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

East Side Expansion – The East Side Expansion project is a ~$275mm investment to provide an additional ~315MMcf/d of capacity on NiSource's Columbia Gas Transmission system to move northern Marcellus supplies to Northeast and Mid-Atlantic markets. Management expects this project to be fully in-service by the second half of 2015.

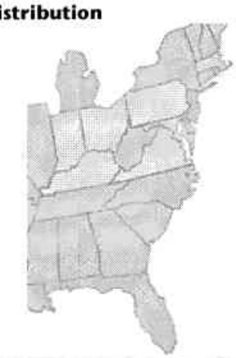
Rayne-Leach XPress – The Leach XPress and Rayne XPress projects will connect shale production to markets along the Columbia Gas (Leach) and Columbia Gulf (Rayne) systems, and are expected to provide a combined 2.5 Bcf/d of incremental capacity (1.5 Bcf/d on Leach XPress / 1.0 Bcf/d on Rayne Xpress). Rayne-Leach, along with the West Side Expansion, will ultimately render the Columbia Gulf pipeline bidirectional, and given the ~125-mile greenfield expansion necessary to complete the project, we're anticipating a late-2017 to early-2018 completion and in-service date for the expanded capacity.

Valuation

We calculate a ~$8.2B enterprise value for the Columbia Pipeline Group within our SOP by applying a 12.0x multiple to our 2016 EBITDA estimate of $686mm less assumed MLP EBITDA. This multiple is based on our assumed drop multiple from CPG to the MLP.

NiSource Gas Distribution

Exhibit 7: NiSource Gas Distribution



Source: NI reports

NiSource Gas Distribution (NGD) provides supplies of domestic natural gas to more than 3.3 million residential, commercial, and industrial customers through 60,000 miles of pipeline and related facilities. NiSource owns various subsidiaries which operate independently within each state: Columbia Gas of Kentucky, Columbia Gas of Maryland, Columbia Gas of Massachusetts (formerly Bay State Gas Co.), Columbia Gas of Ohio, Columbia Gas of Pennsylvania, Columbia Gas of Virginia, and NIPSCO (Northern Indiana Public Service Co.). NIPSCO is an Indiana utility and provides both natural gas and electricity distribution services to the northern part of the state. NiSource's Gas Distribution segment is collectively one of the largest distributors in the United States with ~3.3 million customers across seven states. As of the end of 2013, nearly 3.1 million of NGD's 3.3 million customers were residential rate payers, though this group compromises only ~30% of total volume. Industrial users comprise only ~8,000 of NGD's customers but represent nearly 50% of total gas volumes sold. Commercial customers comprise the remaining ~200,000 customers and ~20% of sales.

Modernization Programs & Rate Cases

NGD has a remarkable platform for sustainable earnings growth through its varied infrastructure replacement programs across its seven jurisdictions.

- **Kentucky (~$200mm rate base)** – Columbia Gas of Kentucky has a long term infrastructure replacement program of $10-$15 million per year that is tracked with annual tracker filings; the authorized ROE for Columbia Gas of Kentucky is ~10.5%.

- **Maryland (~$60mm rate base)** – Columbia Gas of Maryland has a long term infrastructure replacement program of $5-$10mm per year that is recovered via rate case filings with make-whole filings for up to three subsequent years from the initial filing. Columbia Gas of Maryland's authorized ROE is 9.6%.

- **Massachusetts (~$500mm rate base)** – Columbia Gas of Massachusetts (formerly Bay State Gas Co.) has a long term infrastructure replacement program of $20-$25mm per year that is tracked with annual filings. Columbia Gas of Massachusetts just had a rate case approved in late February that allows for a rate increase of $19.3mm and an authorized ROE of 9.55%. This case was effective as of 1Q14.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

- **Ohio (~$1.4B rate base)** – Columbia Gas of Ohio has a long term infrastructure replacement program of $150-$200 million per year that is tracked with annual tracker filings. The program has a 5-year renewal period which occurs again in the Spring of 2018. Columbia Gas of Ohio's authorized ROE is 10.4%.
- **Pennsylvania (~$900mm rate base)** – Columbia Gas of Pennsylvania has a long term infrastructure replacement program of $100-$150 million per year that is recovered via forward test year rate case filings and/or periodic tracker filings. This program was initially approved in the Fall of 2012 and implemented in July of 2013 with a forward-twelve-month test year. We estimate Columbia Gas of Pennsylvania's allowed ROE to be ~11.25%.
- **Indiana (~$725mm gas rate base)** – Northern Indiana Public Supply Co.'s (NIPSCO) gas division has an estimated $725mm rate base with a seven-year infrastructure replacement program of ~$100mm/yr that is pending approval. The plan is expected to be approved and implemented during 2014 and will focus on upgrading the system as well as extending service to rural customers. We estimate NIPSCO's allowed ROE to be ~10.2%.

Valuation

We calculate a ~$7.5B enterprise value for NGD by ascribing a 9.25x multiple to 2016 estimated EBITDA of $816mm. We calculate the average gas LDC EV/EBITDA multiple at 8.5x, but have ascribed a premium to the average due to NiSource's large and varied service territory, large infrastructure modernization programs, and generally favorable regulatory climates.

NiSource Electric Operations

Exhibit 8: NiSource Electric

Source: NiSource

The NiSource Electric Operations segment houses the electricity business of NIPSCO and serves 455,000 customers across 20 counties in Northern Indiana. The segment's overall operations include power generation, transmission, and local distribution which are part of the Midcontinent Independent System Operator (MISO) transmission organization in the Midwestern portion of the United States. The supply assets incorporate traditional and renewable generation equipment, including natural gas, hydroelectric, wind, and coal generated supplies with a total system generation capability of 3,300 MW. Residential customers represent ~88% of NIPSCO's total electric customers, but account for only ~20% of total GWh volumes. Industrial customers comprise <1% of the customer base, but are responsible for 55% of volumes. Commercial customers represent 12% of total customers but 20% of total usage. Wholesale users comprise the remainder of both the customer base and transportation volumes.

Modernization Program

Similar to NIPSCO's gas distribution business, the electric operations also have a sizeable, long term infrastructure modernization program. The 7-year, $1.1B capital investment program was approved in mid-February and began in the middle part of this year. 80% of the spending in this program is tracked, while the remaining 20% will be recovered via a rate increase to be settled in a rate case that must be filed within the seven-year period. We expect NiSource to earn a ~12% return on this program.

System Upgrades & Transmission Projects

NIPSCO is also undertaking several upgrade projects on its electric plants, including 3 flue gas desulfurization (FGD) facilities for $250mm each (one was completed at the end of 2013) and other environmental upgrades for $50-$60mm each. These programs all have an environmental cost recovery mechanism (ECRM), meaning they are 100% tracked and begin earning a return during construction. The electric upgrade projects present a ~$1B capital expenditure opportunity over the next five years.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

NiSource is also building two electric transmission substations in Indiana that are FERC-approved projects. NiSource's total investment in these projects is expected to range from $400-$500mm, on which the company is authorized to earn up to ~12%.

Valuation

We calculate a ~$4.8B enterprise value for Electric Operations by ascribing an 8.75x multiple to 2016 estimated EBITDA of $543mm. We calculate the average LDC EV/EBITDA multiple at 8.5x and have ascribed a slight premium to NI's Electric Operations segment. While we would ordinary like to value electric utility operations on a price-to-earnings (PE) multiple, NI does not report quarterly Net Income or debt balances for NIPSCO Electric. However, we highlight that our 8.75x EBITDA multiple approximates a ~19.5x PE multiple assuming ~$179mm in Net Income and splitting FERC reported NIPSCO debt balances by the respective electric & gas rate bases.

Valuation Analysis

Our $40 NI price target is derived via a combination of Sum-of-the-Parts (SOTP), Discounted Cash Flow (DCF), and Target Yield approaches. We have also done a Dividend Discount Model (DDM) analysis for NI shares, but do not incorporate the outcome into our price target. The exhibit below outlines the chief assumptions supporting these valuation methodologies.

Sum-of-the-Parts

Our Sum-of-the-Parts analysis aggregates stand-alone valuations for NI's collection of businesses by ascribing multiples to 2016E EBITDA for each of the company's segments.

Exhibit 9: Sum-of-the-Parts Valuation

Sum-of-the-Parts Valuation

Operating Segment	2016E EBITDA	Multiple	Implied EV
Gas Distribution	$816	9.25x	$7,547
Columbia Pipeline Group (less MLP)	$686	12.00x	$8,234
MLP Market Cap net to NI			$1,807
2018 GP Distributions	$45	25.00x	$735
Electric Distribution	$543	8.75x	$4,755
Corporate & Other	$13	5.00x	$63
		Enterprise Value	$23,141
		(Net Debt)	($10,693)
		(Pension & Operating Lease Obligations)	($160)
		Plus Inventory	$425
		Implied Market Cap	$12,713
		Shares Outstanding	316.1
		Implied 12-Month Price Target	**$40.20**

Source: Jefferies estimates

Note: We ascribe a 0.75x premium to the gas utility peer group multiple given the large service territory, modernization programs, and generally favorable regulatory climate. The CPG EBITDA excludes EBITDA dropped to NI-MLP by 2016 and 12.0x is the FY multiple we assume for drop-downs. For LP valuation, we assume NI-MLP trades with a distribution yield of 2.5% in 2016 and NI retains a 60% LP position; we've tax effected this at a 20% LT cash tax rate & assumed a 10% liquidity discount given NI's sizable retained LP position. The 25x multiple ascribed to 2018 GP distributions is a 5x premium to PAGP's current 2018 GP multiple which we believe is appropriate given its much faster rate of GP cash flow growth; we tax-effect GP distribution by the 35% statutory rate. As we have employed 2016 EBITDA in this analysis, we have rolled the Balance Sheet to YE2016 expectations and excluded the debt held by the MLP. In addition, we only hit NI for 25% of estimated pension shortfall as we view it longer-term as a rate payer issue. Finally, our PT has been rounded to the nearest 10¢.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Discounted Cash Flow

We have included a consolidated Discounted Cash Flow analysis into our valuation. The DCF analysis assumes capital expenditures in the terminal year to be equal to depreciation plus $550 million, which represents ~200 bps/year of terminal cash flow growth including inflation. The analysis also yields a $40 share price.

Exhibit 10: DCF Valuation Analysis

Discounted Cash Flow	2014E	2015E	2016E	2017E	2018E
EBIT	$1,287.7	$1,454.8	$1,581.3	$1,683.2	$1,957.0
(Cash Taxes on EBIT)	($51.1)	($109.1)	($134.4)	($176.7)	($244.6)
NOPAT	$1,236.5	$1,345.7	$1,446.9	$1,506.5	$1,712.4
D&A	$603.9	$642.8	$669.4	$692.2	$769.9
(Capex)	($2,175.0)	($2,200.0)	($2,200.0)	($2,200.0)	($1,319.9)
(Changes in NWC)	($276.3)	($2.5)	($11.7)	($4.0)	$1.0
Free Cash Flow to the Firm	($610.9)	($214.0)	($95.4)	($5.4)	$1,163.4
Terminal Value					$26,519.5
PV of Cash Flows	($603.4)	($201.3)	($85.4)	($4.6)	$22,473.4
Implied Enterprise Value	$21,578.7				
(Net Debt)	($9,577)				
(Pension & Operating Lease Obligations)	($160)				
Plus Inventory	$350				
Implied Equity Value	$12,192				
Shares Outstanding	$316.1				
Implied 12-Month Price Target	**$39.80**				

Source: Jefferies estimates

Note: We assume 75% percent of current natural gas inventory can be monetized quickly, mitigating the impact of working capital fluctuations throughout the year. Terminal year capex spending is equal to estimated depreciation plus ~$550mm. Finally, our PT has been rounded to the nearest 10¢.

Target Yield Analysis

A target yield approach builds a forward-year equity value based on the anticipated dividend run-rate in one year's time. We expect a single dividend raise next year by 2¢ to $0.28/quarter, resulting in an annual run rate of $1.12/share. Over the last three years (a period which avoids the 2008-09 market trough and saw the resumption of dividend growth), NI carried an average dividend yield of ~3.45%. Given the recent emphasis on modernization programs that generate regulated returns and a growing inventory of midstream investment opportunities, we have capitalized the 3Q15 dividend rate at ~2.85%, a 50 basis point premium to the 3-year average, in our target yield analysis. The outcome implies a $39 share price.

Exhibit 11: Target Yield Analysis

Target Yield Analysis	
Projected 3Q15 Dividend	$0.280
Historic 3-year Average Yield	3.44%
Target Yield	2.84%
Implied Price Target	**$39.40**

Source: Jefferies estimates

Dividend Discount Model

We do not formally incorporate a DDM into our valuation approach but feature it as our representation of minimum equity value. The DDM captures only the value of total anticipated cash payments to shareholders and ignores the potential for asset value upside. The analysis yields a $35 price.

Exhibit 12: DDM Valuation Analysis

Dividend Discount Model	2014E	2015E	2016E	2017E	2018E
Earnings Per Share	$1.70	$1.87	$1.98	$2.04	$2.44
Dividend per Share	$1.02	$1.08	$1.17	$1.28	$1.41
Implied Payout Ratio	60%	58%	59%	63%	58%
Terminal Value					$36.28
PV of Dividends	$1.01	$1.01	$1.03	$1.07	$29.65
PV of Dividends per Share	$33.75				
Implied 12-Month Price Target	**$34.80**				

Source: Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

NI

Target | Estimate Change

September 22, 2014

Exhibit 13: NI Consolidated Statement of Income ($MM)

Consolidated Income Statement	2009	2010	2011	2012	2013	1Q	2Q	3QE	4QE	2014E
Revenues	$6,147.2	$5,817.9	$5,795.7	$5,099.9	$5,659.3	$2,294.1	$1,335.0	$1,150.7	$1,722.6	$6,502.4
(Cost of Sales)	($2,805.4)	($2,379.2)	($2,334.1)	($1,525.2)	($1,815.5)	($1,061.3)	($371.7)	($255.0)	($573.2)	($2,261.2)
Net Revenue	$3,341.8	$3,438.7	$3,461.6	$3,574.7	$3,843.8	$1,232.8	$963.3	$895.7	$1,149.5	$4,241.2
(Operating & Maintenance Expenses)	($1,607.6)	($1,655.7)	($1,688.1)	($1,674.6)	($1,873.9)	($501.2)	($533.1)	($496.6)	($557.4)	($2,088.3)
(Depreciation & Amortization)	($589.4)	($596.3)	($542.8)	($563.9)	($577.3)	($148.7)	($149.1)	($150.7)	($155.4)	($603.9)
(Other Taxes)	($281.6)	($284.4)	($293.3)	($287.8)	($300.6)	($101.1)	($73.4)	($68.1)	($86.0)	($328.6)
(Gain on Sale of Assets)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
OPERATING INCOME BY DIVISION										
Gas Distribution	$329.3	$342.9	$438.7	$450.2	$448.8	$280.1	$62.5	$6.6	$175.8	$525.0
Columbia Pipeline	$408.8	$377.2	$360.4	$397.8	$422.8	$141.4	$103.4	$97.3	$133.4	$475.5
Electric Operations	$162.4	$218.3	$195.1	$237.6	$265.3	$74.2	$59.8	$92.4	$52.3	$278.7
Corporate & Eliminations	($21.3)	($21.2)	($42.2)	($5.0)	($9.0)	($4.1)	($6.9)	($3.5)	$1.5	($13.0)
Total Recurring Operating Income	**$863.2**	**$902.3**	**$952.0**	**$1,080.6**	**$1,127.9**	**$491.6**	**$218.8**	**$192.8**	**$363.0**	**$1,266.3**
Other Income / (Loss)	($1.6)	$3.8	($7.3)	$2.4	$24.2	$4.5	$7.5	$4.7	$4.7	$21.4
Interest Expense - Net	($399.2)	($392.2)	($376.8)	($418.3)	($414.8)	($109.1)	($109.1)	($114.2)	($121.0)	($453.4)
Pretax Income	$462.4	$513.9	$567.9	$664.7	$737.3	$387.0	$117.2	$83.4	$246.7	$834.3
(Provision)/Benefit for Income Taxes	($183.3)	($189.7)	($196.2)	($231.8)	($254.8)	($139.3)	($39.4)	($28.4)	($88.8)	($295.8)
Effective Tax Rate	*39.6%*	*36.9%*	*34.6%*	*34.9%*	*34.6%*	*36.0%*	*33.6%*	*34.0%*	*36.0%*	*35.5%*
Net Income (from Continuing Operations)	$279.1	$324.2	$371.7	$432.9	$482.5	$247.7	$77.8	$55.0	$157.9	$538.5
Recurring Diluted EPS	**$1.01**	**$1.16**	**$1.29**	**$1.44**	**$1.54**	**$0.79**	**$0.25**	**$0.17**	**$0.50**	**$1.70**
Average # of diluted shares outstanding	275.8	280.1	288.5	300.4	313.6	315.1	316.1	316.5	317.2	316.2
Average # of basic shares outstanding	275.1	277.8	280.4	291.9	312.4	314.2	315.0	315.4	316.1	315.2
Dividends per Share	**$0.92**	**$0.92**	**$0.92**	**$0.94**	**$0.98**	$0.250	$0.250	$0.260	$0.260	**$1.02**
Payout Ratio	**91%**	**79%**	**71%**	**65%**	**64%**	32%	102%	150%	52%	**60%**
GAAP Revenue	$6,126.3	$5,826.8	$5,797.5	$5,067.3	$5,657.6	$2,320.5	$1,335.1			
GAAP Operating Expense	($2,521.9)	($2,539.6)	($2,565.2)	($2,526.2)	($2,754.9)	($751.0)	($755.6)			
Non-GAAP Asset Sale Adjustments	$2.5	($1.1)	($1.5)	$0.1	$18.7	$17.5	$0.6			
GAAP Asset Sale Adjustments	($18.2)	($0.8)	($15.5)	$3.5	$0.3	($1.8)	$0.1			
Total Asset Sale Adjustments	($15.7)	($1.9)	($17.0)	$3.6	$19.0	$15.7	$0.7			
GAAP Operating Margin	$3,320.9	$3,447.6	$3,463.4	$3,542.1	$3,842.1	$1,259.2	$963.4			
Equity Earnings from Unconsolidated Affiliates	$16.0	$14.9	$14.6	$32.2	$35.9	$9.8	$11.1			
GAAP Op Income	$783.3	$906.1	$827.1	$1,051.7	$1,142.1	$533.7	$219.6			
Tax Effects & Other Adjusting Items	$15.2	$47.8	$36.3	($2.8)	$0.3	($23.4)	($0.1)			
GAAP Net Income	$214.4	$279.1	$283.1	$401.2	$497.0	$266.4	$78.5			
GAAP Basic EPS from Continuing Ops	$0.78	$1.01	$1.01	$1.37	$1.59	$0.85	$0.25			

Consolidated Income Statement	1QE	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E
Revenues	$2,486.6	$1,471.2	$1,285.1	$1,855.8	$7,098.7	$7,495.0	$7,854.6	$8,698.4	$9,130.0
(Cost of Sales)	($1,105.8)	($392.1)	($269.5)	($592.9)	($2,360.3)	($2,438.0)	($2,527.1)	($2,622.1)	($2,705.2)
Net Revenue	$1,380.9	$1,079.1	$1,015.7	$1,262.8	$4,738.4	$5,057.0	$5,327.5	$6,076.3	$6,424.8
(Operating & Maintenance Expenses)	($574.8)	($599.9)	($563.6)	($618.6)	($2,356.9)	($2,516.0)	($2,653.1)	($3,008.3)	($3,179.5)
(Depreciation & Amortization)	($160.8)	($157.5)	($160.0)	($164.6)	($642.8)	($669.4)	($692.2)	($769.9)	($802.0)
(Other Taxes)	($110.7)	($81.4)	($76.1)	($92.0)	($360.1)	($375.9)	($393.7)	($437.8)	($459.5)
(Gain on Sale of Assets)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
OPERATING INCOME BY DIVISION									
Gas Distribution	$292.5	$72.7	$16.6	$181.5	$563.3	$585.3	$616.0	$646.6	$663.1
Columbia Pipeline	$183.5	$126.7	$123.5	$164.3	$598.0	$688.0	$739.0	$956.2	$1,032.6
Electric Operations	$75.6	$61.0	$93.9	$53.2	$283.7	$299.7	$319.9	$346.6	$377.5
Corporate & Eliminations	($4.1)	($5.6)	($4.2)	$2.5	($11.4)	($12.8)	($12.7)	($13.3)	($13.6)
Total Recurring Operating Income	**$547.5**	**$254.8**	**$229.9**	**$401.5**	**$1,433.6**	**$1,560.3**	**$1,662.2**	**$1,936.1**	**$2,059.7**
Other Income / (Loss)	$5.4	$5.6	$5.1	$5.2	$21.2	$21.0	$21.0	$21.0	$21.0
Interest Expense - Net	($124.8)	($127.5)	($129.8)	($132.5)	($514.6)	($557.8)	($619.1)	($674.4)	($723.9)
Pretax Income	$428.0	$132.8	$105.1	$274.1	$940.1	$1,023.5	$1,064.1	$1,282.6	$1,356.7
(Provision)/Benefit for Income Taxes	($151.8)	($47.1)	($37.3)	($97.2)	($333.3)	($368.5)	($385.7)	($468.2)	($495.2)
Effective Tax Rate	*35.5%*	*35.5%*	*35.5%*	*35.5%*	*35.5%*	*36.0%*	*36.3%*	*36.5%*	*36.5%*
Net Income (from Continuing Operations)	$276.3	$85.7	$67.8	$176.9	$606.8	$655.1	$678.4	$814.5	$861.5
Recurring Diluted EPS	**$0.87**	**$0.27**	**$0.21**	**$0.54**	**$1.87**	**$1.98**	**$2.04**	**$2.44**	**$2.67**
Average # of diluted shares outstanding	317.5	317.9	329.4	329.7	323.7	330.6	332.0	333.4	334.9
Average # of basic shares outstanding	316.4	316.8	328.3	328.6	322.6	329.5	330.9	332.3	333.8
Dividends per Share	$0.260	$0.260	$0.280	$0.280	**$1.08**	**$1.17**	**$1.28**	**$1.41**	**$1.56**
Payout Ratio	30%	96%	136%	52%	**58%**	**59%**	**63%**	**58%**	**61%**

Source: NI reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Jefferies

NI

Target | Estimate Change

September 22, 2014

Exhibit 14: NI Consolidated Balance Sheet ($MM)

Consolidated Balance Sheet ($MM)	2009	2010	2011	2012	2013	1Q	2Q	3QE	4QE	2014E	1QE	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E
Cash & equivalents	16	9	12	36	27	38	18	15	20	20	21	19	16	21	21	62	64	67	69
Accounts receivable	809	1,079	855	907	1,006	1,271	824	563	936	936	1,381	889	629	1,009	1,009	1,024	1,076	1,192	1,262
Inventory	457	428	566	496	500	98	322	277	467	467	98	345	293	483	483	566	589	611	630
Other current assets	942	932	816	913	626	913	891	891	891	891	891	891	891	891	891	891	891	891	891
Total current assets	**2,224**	**2,449**	**2,248**	**2,352**	**2,159**	**2,320**	**2,055**	**1,746**	**2,315**	**2,315**	**2,392**	**2,144**	**1,828**	**2,404**	**2,404**	**2,543**	**2,619**	**2,760**	**2,852**
Tangible fixed assets	**10,684**	**11,097**	**11,800**	**12,916**	**14,365**	**14,658**	**15,089**	**15,477**	**15,952**	**15,952**	**16,188**	**16,502**	**16,885**	**17,357**	**17,357**	**18,736**	**20,091**	**21,344**	**22,540**
Goodwill	3,667	3,677	3,677	3,677	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666
Other intangible fixed assets	339	476	460	381	363	273	270	270	270	270	270	270	270	270	270	270	270	270	270
Investment in affiliates	295	201	205	243	374	407	437	482	535	535	566	589	634	687	687	839	992	1,144	1,296
Other investments	2,063	2,038	2,318	2,275	1,727	1,783	1,741	1,741	1,741	1,741	1,741	1,741	1,741	1,741	1,741	1,741	1,741	1,741	1,741
Non-Current Assets	**6,364**	**6,393**	**6,660**	**6,576**	**6,130**	**6,130**	**6,115**	**6,159**	**6,212**	**6,212**	**6,243**	**6,267**	**6,311**	**6,364**	**6,364**	**6,517**	**6,669**	**6,821**	**6,974**
Total assets	**19,272**	**19,939**	**20,708**	**21,845**	**22,654**	**23,107**	**23,258**	**23,382**	**24,479**	**24,479**	**24,823**	**24,913**	**25,025**	**26,126**	**26,126**	**27,795**	**29,379**	**30,925**	**32,365**
Trade payables and other ST liabilities	2,311	2,233	1,960	2,018	1,938	1,998	2,330	1,940	2,492	2,492	2,519	2,262	2,006	2,578	2,578	2,665	2,735	2,874	2,961
Short term debt	800	1,417	1,687	1,284	1,241	1,343	1,101	1,163	1,209	1,209	1,209	1,245	1,232	1,277	1,277	1,399	1,516	1,602	1,684
Total current liabilities	**3,111**	**3,649**	**3,646**	**3,302**	**3,178**	**3,341**	**3,431**	**3,104**	**3,701**	**3,701**	**3,728**	**3,508**	**3,239**	**3,855**	**3,855**	**4,064**	**4,250**	**4,475**	**4,645**
Long term debt	5,988	5,936	6,267	6,819	7,593	7,639	7,641	8,070	8,389	8,389	8,392	8,642	8,550	8,861	8,861	9,710	10,517	11,115	11,685
Debt deemed provisions (e.g. pensions)	1,288	1,178	1,100	1,268	702	685	644	644	644	644	644	644	644	644	644	644	644	644	644
Deferred taxes (Revenue)	2,139	2,312	2,650	3,062	3,408	3,534	3,615	3,639	3,716	3,716	3,835	3,872	3,902	3,978	3,978	4,260	4,534	4,842	5,133
Other long term liabilities	1,892	1,939	2,048	1,840	1,886	1,897	1,898	1,908	1,909	1,909	1,895	1,903	1,909	1,907	1,907	1,913	1,915	1,919	1,922
Total liabilities	**14,418**	**15,016**	**15,711**	**16,290**	**16,767**	**17,095**	**17,230**	**17,365**	**18,358**	**18,358**	**18,495**	**18,569**	**18,243**	**19,246**	**19,246**	**20,591**	**21,860**	**22,996**	**24,030**
Common equity	4,854	4,923	4,997	5,554	5,887	6,012	6,028	6,018	6,121	6,121	6,328	6,344	6,782	6,879	6,879	7,204	7,519	7,930	8,336
Preferred equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' Equity	**4,854**	**4,923**	**4,997**	**5,554**	**5,887**	**6,012**	**6,028**	**6,018**	**6,121**	**6,121**	**6,328**	**6,344**	**6,782**	**6,879**	**6,879**	**7,204**	**7,519**	**7,930**	**8,336**
Total liabilities and equity	**19,272**	**19,939**	**20,708**	**21,845**	**22,654**	**23,107**	**23,258**	**23,382**	**24,479**	**24,479**	**24,823**	**24,913**	**25,025**	**26,126**	**26,126**	**27,795**	**29,379**	**30,925**	**32,365**
Check	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Balance Sheet Assumptions	2009	2010	2011	2012	2013	1Q	2Q	3QE	4QE	2014E	1QE	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E
Accounts receivable (as % of EBIT)	94%	119%	90%	84%	87%	256%	364%	285%	255%	73%	250%	342%	268%	248%	69%	65%	64%	61%	61%
Inventory (as % of operating expenses)	28%	26%	34%	30%	27%	20%	60%	56%	84%	22%	17%	57%	52%	78%	21%	23%	22%	20%	20%
Trade payable & other S.T. liabilities (as % of opg. Exp.)	144%	135%	116%	120%	103%	399%	437%	391%	447%	119%	438%	377%	356%	417%	109%	106%	103%	96%	93%
Working Capital	(104.1)	207.0	277.0	299	195	284.3	(293.8)	(209.5)	(197.7)	(198)	(148.1)	(137.3)	(194.0)	(195.2)	(195)	(183)	(179)	(180)	(178)
Changes in Working Capital	**685.8**	**(419.8)**	**(262.2)**	**(30.3)**	**55.3**	(166.8)	(13.4)	(84.3)	(11.8)	**(276.3)**	(49.6)	(10.7)	56.7	1.1	**(2.5)**	**(11.7)**	**(4.0)**	**1.0**	**(2.4)**
Average Collection Period	**48**	**68**	**54**	**65**	**65**	50	56	45	50	**53**	50	55	45	50	**52**	**50**	**50**	**50**	**50**
Inventory Days	**59**	**66**	**89**	**119**	**101**	8	79	100	75	**75**	8	80	100	75	**75**	**85**	**85**	**85**	**85**
Average Payable Period	**301**	**343**	**306**	**484**	**390**	169	571	700	400	**402**	205	525	685	400	**399**	**400**	**395**	**400**	**400**

	2009	2010	2011	2012	2013	1Q	2Q	3QE	4QE	2014E	1QE	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E
Cash	16	9	12	36	27	38	18	15	20	20	21	19	16	21	21	62	64	67	69
Total Debt	6,787	7,353	7,954	8,103	8,834	8,982	8,742	9,233	9,598	9,598	9,602	9,888	9,782	10,138	10,138	11,110	12,032	12,717	13,369
Total Net Debt	**6,771**	**7,344**	**7,942**	**8,067**	**8,807**	8,944	8,724	9,218	9,577	**9,577**	9,581	9,869	9,766	10,117	**10,117**	**11,048**	**11,969**	**12,650**	**13,300**
Preferred Securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' Equity	4,854	4,923	4,997	5,554	5,887	6,012	6,028	6,018	6,121	6,121	6,328	6,344	6,782	6,879	6,879	7,204	7,519	7,930	8,336
Net Debt/Capital	**58.2%**	**59.9%**	**61.4%**	**59.2%**	**59.9%**	59.8%	59.1%	60.5%	61.0%	**61.0%**	60.2%	60.9%	59.0%	59.5%	**59.5%**	**60.5%**	**61.4%**	**61.5%**	**61.9%**
	-5%	3%	3%	-4%	1%					2%					-2%	2%	1%	0%	0%
Invested capital	11,625	12,267	12,940	13,621	14,694	14,956	14,752	15,236	15,698	15,698	15,908	16,212	16,547	16,997	16,997	18,252	19,488	20,580	21,636
ROIC	7.4%	7.5%	7.6%	8.2%	8.2%	5.0%	8.4%	8.4%	8.5%	8.5%	5.1%	8.7%	8.8%	8.9%	8.9%	9.0%	8.9%	9.8%	9.9%
ROE	5.8%	6.6%	7.4%	8.2%	8.4%	8.8%	8.8%	8.8%	8.9%	8.9%	9.3%	9.3%	9.2%	9.2%	9.2%	9.3%	9.2%	10.5%	10.6%
EBITDA	1,451	1,502	1,488	1,647	1,729	645	375	348	523	1,892	714	418	395	571	2,098	2,251	2,375	2,727	2,883
Net Debt/EBITDA	**4.8x**	**4.8x**	**5.0x**	**4.8x**	**4.8x**	4.8x	4.8x	4.8x	4.4x	**4.8x**	4.7x	4.8x	4.7x	4.7x	**4.7x**	**4.7x**	**4.8x**	**4.5x**	**4.5x**

Source: NI reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Jefferies

NI

Target | Estimate Change

September 22, 2014

Exhibit 15: NI Consolidated Statement of Cash Flows ($MM)

Consolidated Statement of Cash Flows ($MM)	2009	2010	2011	2012	2013	1Q	2Q	3QE	4QE	2014E	1QE	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E
Operating activities																			
Net income	218	292	299	416	532	266	78	55	158	557	276	86	68	177	607	655	678	814	862
Depreciation, amortization & decommissioning	589	596	538	562	577	149	149	151	155	604	161	157	160	165	643	669	692	770	802
Deferred taxes	383	200	178	305	287	149	38	24	76	287	120	37	29	77	263	281	274	308	292
Net change in working capital	686	(420)	(262)	(30)	55	(167)	(13)	(84)	(12)	(276)	(50)	(11)	57	1	(3)	(12)	(4)	1	(2)
Other, including changes in provisions and other liabilities	(224)	51	117	23	(15)	(3)	5	9	1	13	(13)	8	6	(2)	(1)	6	2	4	3
Cash from operating activities	**1,651**	**720**	**870**	**1,276**	**1,437**	**394**	**257**	**155**	**379**	**1,185**	**494**	**277**	**320**	**418**	**1,509**	**1,600**	**1,643**	**1,897**	**1,956**
Investing activities																			
Capital expenditure - tangible fixed assets	(777)	(804)	(1,125)	(1,499)	(1,880)	(386)	(467)	(539)	(631)	(2,023)	(396)	(472)	(543)	(637)	(2,048)	(2,048)	(2,048)	(2,023)	(1,998)
Investment in affiliates	0	0	0	(20)	(125)	(31)	(24)	(44)	(53)	(152)	(31)	(24)	(44)	(53)	(152)	(152)	(152)	(152)	(152)
Net disposals/(acquisitions)	6	1	9	26	18	0	6	0	0	6	0	0	0	0	0	0	0	0	0
Other investment	117	(140)	(34)	68	96	9	(6)	0	0	4	0	0	0	0	0	0	0	0	0
Cash from investing activities	**(655)**	**(943)**	**(1,149)**	**(1,425)**	**(1,891)**	**(408)**	**(490)**	**(583)**	**(684)**	**(2,165)**	**(427)**	**(496)**	**(587)**	**(690)**	**(2,200)**	**(2,200)**	**(2,200)**	**(2,175)**	**(2,150)**
Financing activities																			
Inc./(dec.) in short term debt	(1,061)	1,280	(23)	(582)	(78)	114	289	62	46	510	0	36	(13)	45	68	122	116	86	82
Inc./(dec.) in long term debt	290	(728)	603	660	797	(9)	(4)	430	318	735	3	250	(93)	312	473	849	806	599	570
Inc./(dec.) in equity	24	13	24	374	44	(1)	7	16	28	50	13	13	463	13	500	55	60	65	65
Common stock dividends paid	(253)	(256)	(258)	(273)	(306)	(79)	(79)	(82)	(82)	(321)	(82)	(82)	(92)	(92)	(349)	(385)	(423)	(469)	(521)
Other cash from financing	0	(93)	(65)	(3)	(11)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inc./(dec.) in preffered equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash from financing activities	**(1,000)**	**216**	**281**	**175**	**445**	**25**	**213**	**426**	**310**	**974**	**(66)**	**216**	**265**	**277**	**692**	**641**	**559**	**281**	**196**
Cash flow increase/(decrease) in cash	(4)	(7)	2	25	(9)	11	(20)	(3)	5	(7)	1	(2)	(3)	5	1	41	2	3	2
Non-cash movements in cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Forex Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net change in cash	**(4)**	**(7)**	**2**	**25**	**(9)**	11	(20)	(3)	5	**(7)**	1	(2)	(3)	5	**1**	**41**	**2**	**3**	**2**
Cash at the beginning of the year	**21**	**16**	**9**	**11**	**36**	27	38	18	15	**27**	20	21	19	16	**20**	**21**	**62**	**64**	**67**
Cash at the end of the year	**16**	**9**	**11**	**36**	**27**	38	18	15	20	**20**	21	19	16	21	**21**	**62**	**64**	**67**	**69**
Cash paid for income taxes	**34**	**69**	**9**	**8**	**8**	7	10	4	12	**33**	32	10	8	21	**71**	**87**	**112**	**160**	**204**
Cash Interest paid, net of amount capitalized	**383**	**393**	**369**	**387**	**387**	168	208	159	44	**578**	187	138	177	38	**540**	**616**	**650**	**717**	**710**
Accounting Free Cash Flow (CFO-CAPEX-Dividend)	620	(339)	(513)	(497)	(749)	(71)	(288)	(466)	(334)	(1159)	15	(277)	(315)	(311)	(888)	(833)	(829)	(594)	(563)
Free Cash Flow (NI+D&A-WC-CAPEX-DIV)	(910)	249	(284)	(764)	(1132)	117	(305)	(331)	(388)	(907)	8	(300)	(464)	(388)	(1144)	(1097)	(1097)	(908)	(852)

Source: NI reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Company Description

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4 million US customers. The Company operates through three segments: Gas Distribution, Columbia Pipeline Group, and Electric. The Gas Distribution operations provide natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. Columbia Pipeline Group offers gas transportation and storage services for Local distribution companies, marketers and industrial and commercial customers located in Northeastern, Mid-Atlantic, Midwestern and Southern states. The Electric Operations segment provides electric service in various counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

Analyst Certification

I, Christopher Sighinolfi, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
I, Christopher Tillett, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
I, Corey Goldman, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

Company Specific Disclosures

For Important Disclosure information on companies recommended in this report, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 212.284.2300.

Meanings of Jefferies Ratings

Buy - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.
Hold - Describes stocks that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.
Underperform - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.
The expected total return (price appreciation plus yield) for Buy rated stocks with an average stock price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated stocks with an average stock price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated stocks with an average stock price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% within a 12-month period.
NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.
CS - Coverage Suspended. Jefferies has suspended coverage of this company.
NC - Not covered. Jefferies does not cover this company.
Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.
Monitor - Describes stocks whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Jefferies Franchise Picks

Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for

 Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

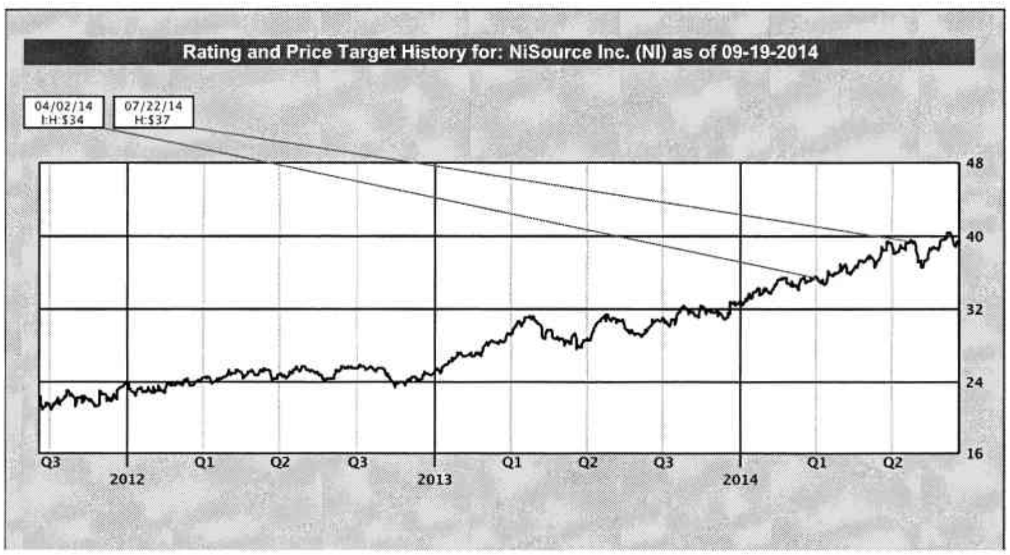
inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it underperforms the S&P by 15% or more since inclusion. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

Risk which may impede the achievement of our Price Target

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.

Other Companies Mentioned in This Report

- Dominion Resources, Inc. (D: $68.92, HOLD)
- NextEra Energy, Inc. (NEE: $95.14, HOLD)
- NRG Energy, Inc. (NRG: $31.25, BUY)
- Questar Corp. (STR: $22.66, HOLD)
- Spectra Energy Corp. (SE: $40.44, HOLD)
- Transocean Ltd. (RIG: $34.08, HOLD)
- UGI Corporation (UGI: $35.08, HOLD)



Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	972	51.48%	255	26.23%
HOLD	776	41.10%	133	17.14%
UNDERPERFORM	140	7.42%	6	4.29%

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Other Important Disclosures

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC ("Jefferies") group companies:

United States: Jefferies LLC which is an SEC registered firm and a member of FINRA.

United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

India: Jefferies India Private Limited (CIN - U74140MH2007PTC200509), which is licensed by the Securities and Exchange Board of India as a Merchant Banker (INM000011443) and a Stock Broker with Bombay Stock Exchange Limited (INB011491033) and National Stock Exchange of India Limited (INB231491037) in the Capital Market Segment; located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051, India; Tel +91 22 4356 6000.

This material has been prepared by Jefferies employing appropriate expertise, and in the belief that it is fair and not misleading. The information set forth herein was obtained from sources believed to be reliable, but has not been independently verified by Jefferies. Therefore, except for any obligation under applicable rules we do not guarantee its accuracy. Additional and supporting information is available upon request. Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this material is distributed in the United States ("US"), by Jefferies LLC, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic Area this report is issued and/or approved for distribution by Jefferies International Limited and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed. Jefferies International Limited has adopted a conflicts management policy in connection with the preparation and publication of research, the details of which are available upon request in writing to the Compliance Officer. Jefferies International Limited may allow its analysts to undertake private consultancy work. Jefferies International Limited's conflicts management policy sets out the arrangements Jefferies International Limited employs to manage any potential conflicts of interest that may arise as a result of such consultancy work. For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, this material is provided by Jefferies Singapore Limited pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Cap. 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact Jefferies Singapore Limited, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the PRC. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India this report is made available by Jefferies India Private Limited. In Australia this information is issued solely by Jefferies International Limited and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies International Limited is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. Jefferies International Limited has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services licence under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, its associates or affiliates, and its respective officers, directors, and employees may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. Upon request Jefferies may provide specialized research products or services to certain customers focusing on the prospects for individual covered stocks as compared to other covered stocks over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, the analyst has a reasonable basis and any inconsistencies can be reasonably explained. This material does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange

rates could have adverse effects on the value or price of, or income derived from, certain investments. This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of securities. None of Jefferies, any of its affiliates or its research analysts has any authority whatsoever to make any representations or warranty on behalf of the issuer(s). Jefferies policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis. Any comments or statements made herein are those of the author(s) and may differ from the views of Jefferies.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Jefferies research reports are disseminated and available primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Jefferies. Neither Jefferies nor any officer nor employee of Jefferies accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

For Important Disclosure information, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 1.888.JEFFERIES

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

February 13, 2014
ENERGY: Multi- Utilities
Quick Alert

KeyBanc
Capital Markets

NiSource, Inc. (BUY)

NI - Quick Alert: Pipeline Explosion, Initial Thoughts

KeyBanc Capital Markets Inc.
Member NYSE/FINRA/SIPC

Paul T. Ridzon: (216) 689- 0270 — pridzon@key.com
John Barta: (216) 689- 3386 — john_j_barta@key.com

KEY INVESTMENT POINTS

Late last night there was an explosion on one of NiSource, Inc.'s (NI- NYSE) three large interstate pipelines that run between the Gulf and markets to the north. Our discussion with NI has indicated that the explosion has not meaningfully disrupted commercial operations.

There were two injuries related to the explosion and fire, both of which have been treated and released.

At this time, NI is unsure how long repairs will take. In our view, repairs are likely to take a few days to clean up the site, cut out damaged portions and weld in a new section of pipeline. We expect activity related to cause determination and heightened inspection will be minimally disruptive.

We expect the event to generate headlines around pipeline safety, heightened inspection and potential fines and/or penalties. We expect that these issues will be manageable.

FOR IMPORTANT DISCLOSURES AND CERTIFICATIONS, PLEASE REFER TO PAGES 2 - 3 OF THIS NOTE.

KeyBanc Capital Markets Inc. Disclosures and Certifications

NiSource, Inc. - NI

We have managed or co- managed a public offering of securities for NiSource, Inc. within the past 12 months.

NiSource, Inc. is an investment banking client of ours.

We have received compensation for investment banking services from NiSource, Inc. during the past 12 months.

We expect to receive or intend to seek compensation for investment banking services from NiSource, Inc. within the next three months.

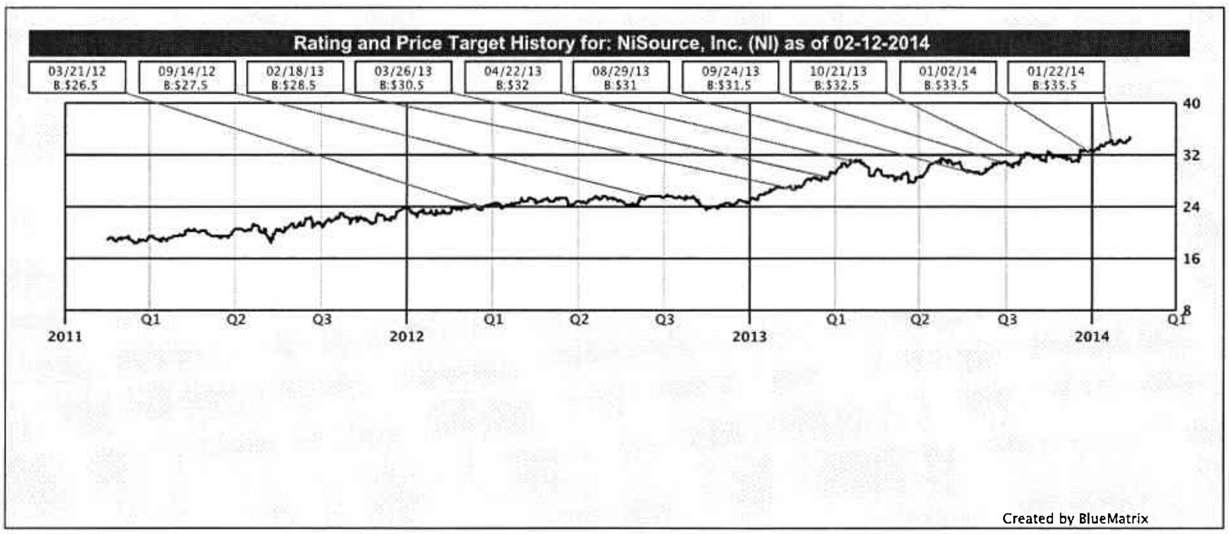
During the past 12 months, NiSource, Inc. has been a client of the firm or its affiliates for non- securities related services.

As of the date of this report, we make a market in NiSource, Inc..

Reg A/C Certification

The research analyst(s) responsible for the preparation of this research report certifies that:(1) all the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this research report.

Three- Year Rating and Price Target History



Rating Disclosures

Distribution of Ratings/IB Services Firmwide and by Sector

KeyBanc Capital Markets			IB Serv/Past 12 Mos.		ENERGY			IB Serv/Past 12 Mos.	
Rating	Count	Percent	Count	Percent	Rating	Count	Percent	Count	Percent
BUY [BUY]	243	44.92	57	23.46	BUY [BUY]	36	50.70	20	55.56
HOLD [HOLD]	286	52.87	65	22.73	HOLD [HOLD]	35	49.30	17	48.57
SELL [UND]	12	2.22	4	33.33	SELL [UND]	0	0.00	0	0.00

Rating System

BUY - The security is expected to outperform the market over the next six to 12 months; investors should consider adding the security to their holdings opportunistically, subject to their overall diversification requirements.

HOLD - The security is expected to perform in line with general market indices over the next six to 12 months; no buy or sell action is recommended at this time.

UNDERWEIGHT - The security is expected to underperform the market over the next six to 12 months; investors should reduce their holdings opportunistically.

August 12, 2014
ENERGY: Multi- Utilities
Quick Alert

KeyBanc
Capital Markets

NiSource, Inc. (BUY)

NI - Quick Alert: Rayne and Leach Announced at $1.75 Billion

KeyBanc Capital Markets Inc.
Member NYSE/FINRA/SIPC

Paul T. Ridzon: (216) 689- 0270 — pridzon@key.com
John Barta: (216) 689- 3386 — john_j_barta@key.com

KEY INVESTMENT POINTS

After initially indicating a non- binding open season had been well received by shippers, NiSource, Inc. (NI- NYSE) formally announced it will proceed with the Rayne and Leach projects. These are two pipelines with 1.5 bcf/day from the Utica and Marcellus regions to markets served by other NI pipelines.

The projects are estimated to cost $1.75 billion. We believe this exceeds expectations by roughly $250 million. We expect that projects will be welcomed by investors.

The Leach Xpress line in Ohio and West Virginia is anchored by contracts with Range Resources, Noble Energy, Kaiser Marketing and American Energy Utica.

The Rayne projects are anchored by the same companies and consist primarily of incremental compression to existing pipeline projects in the portfolio.

FOR IMPORTANT DISCLOSURES AND CERTIFICATIONS, PLEASE REFER TO PAGES 2 - 3 OF THIS NOTE.

KeyBanc Capital Markets Inc. Disclosures and Certifications

NiSource, Inc. - NI

We expect to receive or intend to seek compensation for investment banking services from NiSource, Inc. within the next three months.

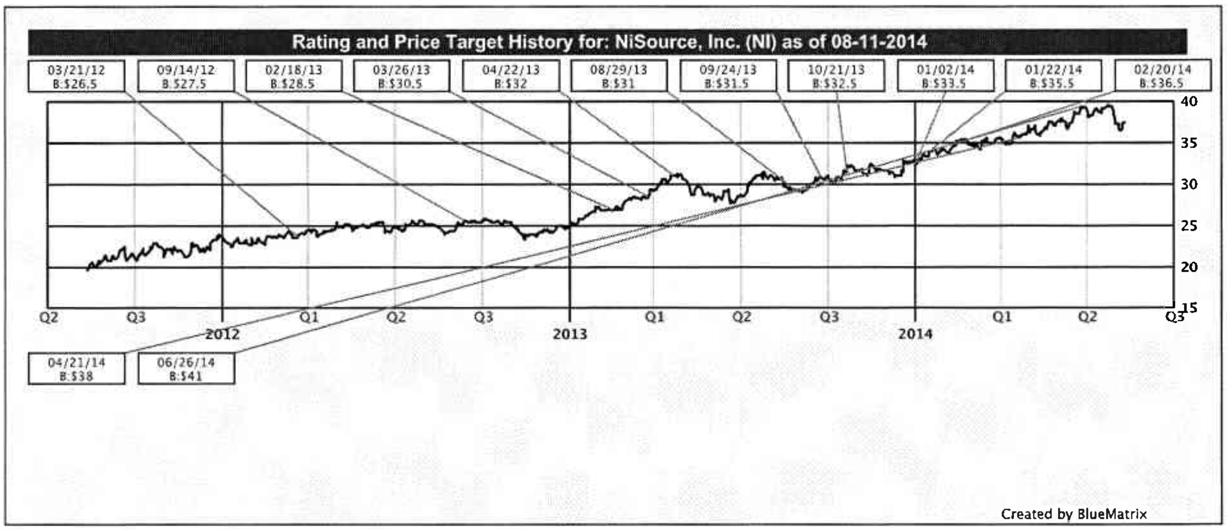
During the past 12 months, NiSource, Inc. has been a client of the firm or its affiliates for non- securities related services.

As of the date of this report, we make a market in NiSource, Inc..

Reg A/C Certification

The research analyst(s) responsible for the preparation of this research report certifies that:(1) all the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this research report.

Three- Year Rating and Price Target History



Rating Disclosures

Distribution of Ratings/IB Services Firmwide and by Sector

KeyBanc Capital Markets			IB Serv/Past 12 Mos.		ENERGY			IB Serv/Past 12 Mos.	
Rating	Count	Percent	Count	Percent	Rating	Count	Percent	Count	Percent
BUY [BUY]	259	46.84	57	22.01	BUY [BUY]	37	52.11	20	54.05
HOLD [HOLD]	282	50.99	56	19.86	HOLD [HOLD]	34	47.89	16	47.06
SELL [UND]	12	2.17	3	25.00	SELL [UND]	0	0.00	0	0.00

Rating System

BUY - The security is expected to outperform the market over the next six to 12 months; investors should consider adding the security to their holdings opportunistically, subject to their overall diversification requirements.

HOLD - The security is expected to perform in line with general market indices over the next six to 12 months; no buy or sell action is recommended at this time.

UNDERWEIGHT - The security is expected to underperform the market over the next six to 12 months; investors should reduce their holdings opportunistically.

The information contained in this report is based on sources considered to be reliable but is not represented to be complete and its accuracy is not guaranteed. The opinions expressed reflect the judgment of the author as of the date of publication and are subject to change without notice. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities. Our company policy prohibits research analysts and members of their families from owning securities of any company followed by that analyst, unless otherwise disclosed. Our officers, directors, shareholders and other employees, and members of their families may have positions in these securities and may, as principal or agent, buy and sell such securities before, after or concurrently with the publication of this report. In some instances, such investments may be inconsistent with the opinions expressed herein. One or more of our employees, other than the research analyst responsible for the preparation of this report, may be a member of the Board of Directors of any company referred to in this report. The research analyst responsible for the preparation of this report is compensated based on various factors, including the analyst's productivity, the quality of the analyst's research and stock recommendations, ratings from investor clients, competitive factors and overall Firm revenues, which include revenues derived from, among other business activities, the Firm's performance of investment banking services. In accordance with industry practices, our analysts are prohibited from soliciting investment banking business for our Firm.

Investors should assume that we are seeking or will seek investment banking or other business relationships with the company described in this report.

MORNINGSTAR®

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
36.48 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

NiSource Management Optimistic About MLP

Charles Fishman, CFA
Stock Analyst
charles.fishman@morningstar.com
312-696-6523

The primary analyst covering this company does not own its stock.

Research as of 19 May 2014
Estimates as of 21 Mar 2014
Pricing data through 16 May 2014
Rating updated as of 16 May 2014

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Analyst Note 19 May 2014

On May 18, we met with the executive management team from NiSource at the American Gas Association Financial Forum in Miami. We believe the key takeaway from our meeting was management's commitment to forming a master limited partnership with the majority of the assets currently making up the Columbia Pipeline Group. It now appears more likely that NiSource's 2015 equity needs will be raised by an IPO of the MLP instead of an equity issuance. We are reaffirming our fair value estimate of $30 per share. Our narrow moat and stable moat trend ratings are unchanged.

An IPO would significantly reduce NiSource's capital expenditures since the MLP would be self-funding. We had assumed the CPG would need almost 40% of the $10.7 billion of NiSource's estimated capital expenditures from 2014-18. In addition, ongoing drop-downs of additional assets would also be a source of equity.

NiSource management expressed optimism about the Pennant joint venture in the Utica, indicating there could be an upward bias to the 30 wells expected to be drilled this year. The success of development of the Utica mineral rights would increase midstream production volumes and our estimate of the potential value of the MLP. In addition, based on the success of the Ryan/Leach Express open season (it was 3-4 times oversubscribed), management indicated that it hopes to have the size and timing of the project finalized by the September analyst day. The success of these projects provides additional confidence that NiSource will move forward with an MLP.

Based on the upbeat comments at our meeting concerning the potential formation of the MLP, the likelihood of the Reynolds-Topeka and Greentown-Reynolds transmission projects moving forward and Indiana Commission approval

Vital Statistics

Market Cap (USD Mil)	11,487
52-Week High (USD)	37.18
52-Week Low (USD)	27.11
52-Week Total Return %	27.0
YTD Total Return %	12.5
Last Fiscal Year End	31 Dec 2013
5-Yr Forward Revenue CAGR %	6.8
5-Yr Forward EPS CAGR %	6.9
Price/Fair Value	1.22

Valuation Summary and Forecasts

Fiscal Year:	2012	2013	2014(E)	2015(E)
Price/Earnings	17.0	20.8	*22.1*	*20.5*
EV/EBITDA	9.9	11.2	*10.9*	*10.0*
EV/EBIT	15.2	17.0	*16.1*	*14.7*
Free Cash Flow Yield %	-3.0	-4.4	*-4.9*	*-4.6*
Dividend Yield %	3.5	3.0	*2.8*	*3.0*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2012	2013	2014(E)	2015(E)
Revenue	5,061	5,657	*6,123*	*6,524*
Revenue YoY %	-15.9	11.8	*8.2*	*6.6*
EBIT	1,039	1,126	*1,269*	*1,388*
EBIT YoY %	12.7	8.4	*12.7*	*9.4*
Net Income, Adjusted	437	494	*526*	*572*
Net Income YoY %	12.4	13.0	*6.5*	*8.8*
Diluted EPS	1.46	1.58	*1.65*	*1.78*
Diluted EPS YoY %	7.9	8.3	*4.6*	*8.1*
Free Cash Flow	71	-379	*-157*	*-390*
Free Cash Flow YoY %	339.3	-637.2	*-58.5*	*148.0*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with 3.4 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. NiSource also owns 15,000 miles of natural gas transmission pipeline, operates one of the nation's largest underground natural gas storage systems, and provides unregulated midstream services in the growing Marcellus and Utica shale production area. NiSource's electric utility generates, transmits, and distributes electricity in northern Indiana.

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
36.48 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

of the NIPSCO electric and natural gas distribution long-term modernization plans, we also think it is likely that NiSource will increase its long-term annual EPS growth rate, currently 5%-7%, at the analyst day meeting.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
36.48 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2011	2012	2013	Forecast 2014	2015	5 Year Proj. CAGR
Revenue	-4.1	-6.3	-15.9	11.8	8.2	6.6	6.8
EBIT	6.8	-0.2	12.7	8.4	12.7	9.4	9.8
EBITDA	3.9	-4.0	9.6	6.4	9.9	9.3	8.9
Net Income	13.2	14.1	12.4	13.0	6.5	8.8	9.0
Diluted EPS	9.0	10.8	7.9	8.3	4.6	8.1	6.9
Earnings Before Interest, after Tax	4.4	10.4	4.1	-1.0	16.8	4.7	8.0
Free Cash Flow	-237.7	-88.9	339.3	-637.2	-58.5	148.0	—

Profitability	3-Year Hist. Avg	2011	2012	2013	2014	2015	5-Year Proj. Avg
Operating Margin %	18.6	15.3	20.5	19.9	20.7	21.3	21.9
EBITDA Margin %	28.7	24.3	31.6	30.1	30.6	31.4	32.0
Net Margin %	7.9	6.5	8.6	8.7	8.6	8.8	9.1
Free Cash Flow Margin %	-1.7	0.3	1.4	-6.7	-2.6	-6.0	-2.9
ROIC %	7.3	7.6	7.5	6.9	7.4	7.2	7.2
Adjusted ROIC %	10.0	10.6	10.2	9.1	9.7	9.2	9.0
Return on Assets %	1.9	1.5	2.0	2.4	2.2	2.2	2.3
Return on Equity %	7.7	6.0	7.9	9.3	8.8	9.2	9.4

Leverage	3-Year Hist. Avg	2011	2012	2013	2014	2015	5-Year Proj. Avg
Debt/Capital	0.60	0.61	0.59	0.60	0.61	0.63	0.62
Total Debt/EBITDA	5.23	5.45	5.06	5.19	5.21	5.26	5.10
EBITDA/Interest Expense	3.94	3.88	3.83	4.11	4.03	3.99	4.07

Valuation Summary and Forecasts

	2012	2013	2014(E)	2015(E)
Price/Fair Value	1.00	1.22	—	—
Price/Earnings	17.0	20.8	22.1	20.5
EV/EBITDA	9.9	11.2	10.9	10.0
EV/EBIT	15.2	17.0	16.1	14.7
Free Cash Flow Yield %	-3.0	-4.4	-4.9	-4.6
Dividend Yield %	3.5	3.0	2.8	3.0

Key Valuation Drivers

Cost of Equity %	10.0
Pre-Tax Cost of Debt %	5.0
Weighted Average Cost of Capital %	6.7
Long-Run Tax Rate %	35.0
Stage II EBI Growth Rate %	7.0
Stage II Investment Rate %	87.5
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	-816	-4.5	-2.55
Present Value Stage II	1,359	7.5	4.25
Present Value Stage III	17,611	97.0	55.12
Total Firm Value	**18,155**	**100.0**	**56.82**
Cash and Equivalents	70	—	0.22
Debt	-8,834	—	-27.65
Preferred Stock	—	—	—
Other Adjustments	35	—	0.11
Equity Value	**9,425**	—	**29.50**
Projected Diluted Shares	320		
Fair Value per Share (USD)	—		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
36.48 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in December

				Forecast	
	2011	2012	2013	*2014*	*2015*
Revenue	**6,019**	**5,061**	**5,657**	***6,123***	***6,524***
Cost of Goods Sold	2,556	1,542	1,816	*2,023*	*2,109*
Gross Profit	**3,463**	**3,520**	**3,842**	***4,100***	***4,415***
Selling, General & Administrative Expenses	1,723	1,663	1,874	*1,976*	*2,111*
Other Operating Expense (Income)	295	288	301	*297*	*307*
Other Operating Expense (Income)	-15	-32	-36	*-45*	*-49*
Depreciation & Amortization (if reported separately)	538	562	577	*603*	*658*
Operating Income (ex charges)	**922**	**1,039**	**1,126**	***1,269***	***1,388***
Restructuring & Other Cash Charges	17	-4	-18	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**905**	**1,043**	**1,143**	***1,269***	***1,388***
Interest Expense	377	418	415	*465*	*513*
Interest Income	-61	2	24	*5*	*5*
Pre-Tax Income	**467**	**626**	**753**	***809***	***880***
Income Tax Expense	163	216	262	*283*	*308*
Other After-Tax Cash Gains (Losses)	-5	6	6	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	35	—	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**299**	**416**	**532**	***526***	***572***
Weighted Average Diluted Shares Outstanding	289	300	314	*319*	*321*
Diluted Earnings Per Share	**1.03**	**1.39**	**1.70**	***1.65***	***1.78***
Adjusted Net Income	389	437	494	*526*	*572*
Diluted Earnings Per Share (Adjusted)	**1.35**	**1.46**	**1.58**	***1.65***	***1.78***
Dividends Per Common Share	0.92	0.94	0.98	*1.02*	*1.06*
EBITDA	**1,443**	**1,605**	**1,721**	***1,872***	***2,046***
Adjusted EBITDA	**1,460**	**1,601**	**1,703**	***1,872***	***2,046***

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
36.48 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)
Fiscal Year Ends in December

	2011	2012	2013	Forecast 2014	Forecast 2015
Cash and Equivalents	172	83	35	*199*	*168*
Investments	—	—	—	—	—
Accounts Receivable	855	907	1,006	*1,090*	*1,162*
Inventory	566	496	500	*554*	*578*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	655	866	618	*750*	*750*
Current Assets	**2,248**	**2,352**	**2,159**	***2,594***	***2,658***
Net Property Plant, and Equipment	11,800	12,916	14,365	*15,843*	*17,259*
Goodwill	3,677	3,677	3,666	*3,666*	*3,666*
Other Intangibles	298	287	276	*276*	*276*
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,685	2,613	2,188	*2,561*	*2,689*
Long-Term Non-Operating Assets	—	—	—	—	—
Total Assets	**20,708**	**21,845**	**22,654**	***24,940***	***26,548***
Accounts Payable	435	539	619	*690*	*719*
Short-Term Debt	1,687	1,284	1,241	*1,250*	*1,250*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,525	1,479	1,319	*1,500*	*1,500*
Current Liabilities	**3,646**	**3,302**	**3,178**	***3,440***	***3,469***
Long-Term Debt	6,267	6,819	7,593	*8,500*	*9,500*
Deferred Tax Liabilities (Long-Term)	2,542	2,953	3,278	*3,632*	*3,963*
Other Long-Term Operating Liabilities	3,256	3,216	2,718	*3,252*	*3,236*
Long-Term Non-Operating Liabilities	—	—	—	—	—
Total Liabilities	**15,711**	**16,290**	**16,767**	***18,823***	***20,169***
Preferred Stock	—	—	—	—	—
Common Stock	3	3	3	*3*	*3*
Additional Paid-in Capital	4,168	4,598	4,690	*4,725*	*4,760*
Retained Earnings (Deficit)	917	1,060	1,286	*1,486*	*1,717*
(Treasury Stock)	-31	-41	-49	*-49*	*-49*
Other Equity	-60	-66	-44	*-49*	*-54*
Shareholder's Equity	**4,997**	**5,554**	**5,887**	***6,117***	***6,379***
Minority Interest	—	—	—	—	—
Total Equity	**4,997**	**5,554**	**5,887**	***6,117***	***6,379***

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
36.48 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Morningstar Analyst Forecasts

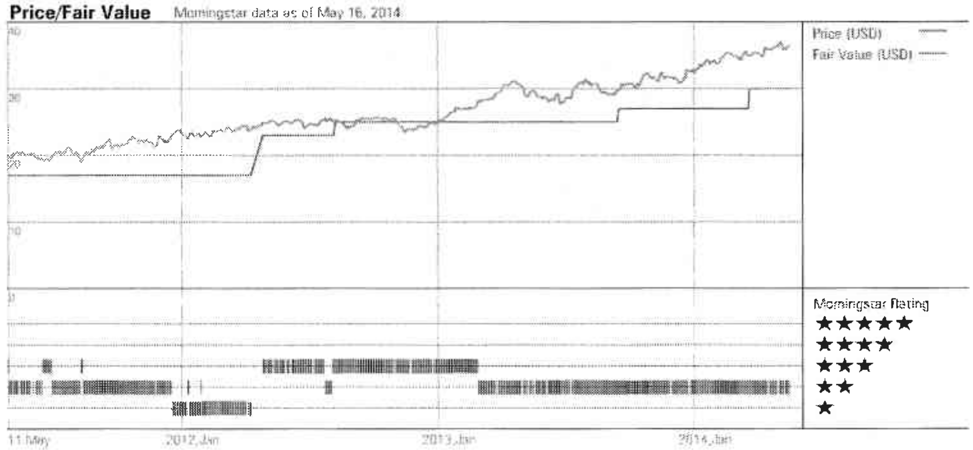
Cash Flow (USD Mil)
Fiscal Year Ends in December

				Forecast	
	2011	2012	2013	*2014*	*2015*
Net Income	299	416	532	*526*	*572*
Depreciation	538	562	577	*603*	*658*
Amortization	—	—	—	—	—
Stock-Based Compensation	39	45	51	*49*	*53*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	178	305	287	*354*	*332*
Other Non-Cash Adjustments	217	25	-65	—	—
(Increase) Decrease in Accounts Receivable	220	-51	-95	*-85*	*-72*
(Increase) Decrease in Inventory	-142	62	-9	*-54*	*-24*
Change in Other Short-Term Assets	-274	-157	81	*-132*	—
Increase (Decrease) in Accounts Payable	-155	57	68	*71*	*29*
Change in Other Short-Term Liabilities	—	—	—	*181*	—
Cash From Operations	**920**	**1,264**	**1,427**	***1,514***	***1,549***
(Capital Expenditures)	-1,125	-1,499	-1,880	*-2,081*	*-2,074*
Net (Acquisitions), Asset Sales, and Disposals	9	26	18	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-34	51	-148	*160*	*-143*
Cash From Investing	**-1,149**	**-1,422**	**-2,010**	***-1,921***	***-2,216***
Common Stock Issuance (or Repurchase)	21	374	36	*35*	*35*
Common Stock (Dividends)	-258	-273	-306	*-326*	*-341*
Short-Term Debt Issuance (or Retirement)	-23	-582	-78	*9*	—
Long-Term Debt Issuance (or Retirement)	541	656	794	*907*	*1,000*
Other Financing Cash Flows	—	—	—	*-49*	*-53*
Cash From Financing	**281**	**175**	**445**	***576***	***642***
Exchange Rates, Discontinued Ops, etc. (net)	-50	8	129	*-5*	*-5*
Net Change in Cash	**2**	**25**	**-10**	***164***	***-31***

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Morningstar Credit Rating	Industry Group
36.48 USD	30.00 USD	21.00 USD	40.50 USD	Medium	Narrow	Stable	Standard	BBB	Utilities - Regulated

Price/Fair Value Morningstar data as of May 16, 2014



 Unless stated otherwise, this report was prepared by the person(s) noted in their capacity as Equity Analysts employed by Morningstar, Inc., including its global affiliates. It has not been made available to the issuer prior to publication.

The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic value. Five-star stocks sell for the biggest risk-adjusted discount whereas one-star stocks trade at premiums to their intrinsic value. Based on a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's Equity Analysts, four key components drive the Morningstar Rating: 1. Assessment of the firm's economic moat, 2. Estimate of the stock's fair value, 3. Uncertainty around that fair value estimate and 4. Current market price. Further information on Morningstar's methodology is available from http://global.morningstar.com/equitydisclosures.

It has not been determined in advance whether and in what intervals this document will be updated. No material interests are held by Morningstar or the Equity Analyst in the financial products that are the subject of the research reports or the product issuer. Regarding Morningstar's conflicts of interest: 1) Equity Analysts are required to comply with the CFA Institute's Code of Ethics and Standards of Professional Conduct and 2) Equity Analysts' compensation is derived from Morningstar's overall earning and consists of salary, bonus and in some cases restricted stock; however Equity Analysts are neither allowed to participate directly or try to influence Morningstar's investment management group's business arrangements nor allow employees from the investment management group to participate or influence the analysis or opinion prepared by them. Further information on Morningstar's conflict of interest policies is available from http://global.morningstar.com/equitydisclosures.

Unless otherwise provided in a separate agreement, you may use this report only in the country in which its original distributor is based. The original distributor of this document is Morningstar Inc.. The information contained herein is not represented or warranted to be accurate, correct, complete, or timely. This report is for information purposes only, and should not be considered a solicitation to buy or sell any security. Redistribution is prohibited without written permission.

U.S. Capital Advisors

USCA Equity Research

NI – September 12, 2014

NISOURCE INC.
NI

CURRENT PRICE:	$40.01
TARGET PRICE:	$40.00
RECOMMENDATION:	HOLD

Key Stats

Market Cap:	$12.6B
Enterprise Value:	$21.9B
EPU (2014E):	$1.70
EPU (2015E):	$1.81
P/E (2014E):	23.5x
P/E (2015E):	22.1x
EV/EBITDA (2014E):	11.6x
DPS (2014E)	$1.02
Current Yield:	2.5%
3-Yr DPS Growth Rate:	5.5%
Beta:	0.75

Analyst Contacts

Becca Followill
713-366-0557
bfollowill@uscallc.com

James Carreker
713-366-0558
jcarreker@uscallc.com

Zachary Rollins, CFA
713-366-0547
zrollins@uscallc.com

Looking Ahead to NiSource's Analyst Meeting

(NI - $40.01 - Hold - $40 PT)

In anticipation of NI's analyst day Monday, September 29 in New York (Millennium Hotel), we take a look at what happened at their meeting two years ago (Sept. '12), what's happened since then, and what we are looking for this year.

We are also raising our price target to $40/sh from $38 as we roll forward our valuation one year. For the group, we normally roll forward our valuations about this time each year; we are just doing it a little earlier for NI given the timing of the meeting.

What Happened Two Years Ago?

- **Guidance:** 5-7%/yr earnings growth for the period '12-'17; 3-5%/yr dividend growth with 60-70% payout ratio target; $1.5-$1.8B/yr capex; $25-30B project inventory over 15-20+ years. Anticipated equity financing needs in '15.
    - **Gas Distribution:** $10B inventory and 7-9% operating earnings growth;
    - **Electric:** $6-8B inventory and 7-9% operating earnings growth;
    - **Pipelines:** $8-10B inventory and 10-12% operating earnings growth.
- **Big Picture:** EPS growth slower than prior '09 -'12 pace of ~11%/yr, but solid visibility on tracked infrastructure replacement/modernization programs combined with gas pipeline and midstream organic growth opportunities.

What's Happened Since Then?

- **Stock Performance:** NI stock returned 68.0% since 9.12.12, outperforming total returns of 8.1% for the UTY index and 28.3% for the S&P 500.
- **Financial Results:** We estimate NI will grow EPS by 7.4%/yr over the period '12-'14 and dividends by 4.4%, with a 61% payout ratio. By segment, we estimate Gas Distribution will grow operating income by 6.4%/yr, Electric by 13.3% and Pipelines by 9.3%. Capex averages $1.83B/yr over the three-year period.

** Important Disclosures on pages 5-6 of this report **

- **Big Picture:** Positive fundamentals all around for NI – assets located in the right place; regulators amenable to infrastructure replacement for safety reasons and aided by minimal customer sticker shock due to low gas price environment; producers finally ready and willing to sign up for take-away capacity out of Appalachia; and market rewarding financial engineering.

- **Backlog Increase:** While the magnitude of the investment opportunity NI outlined two years ago is unchanged, at $20-$25B, they have firmed up a number of large projects, particularly on the pipeline side. Below is a list of what should be the majority of new, larger projects they have announced (costs in bold/italics represent USCA estimates):

New Projects Since Sept. '12 Analyst Meeting				
Project	Segment	Cost ($mm)	Capacity (mmcf/d)	In-Service
Pennant JV NGL Pipeline	Gas Pipeline	$60	90 mbpd	Q3'14
Big Pine Expansion	Gas Pipeline	$100	175 mmcf/d	Q2'15
Washington Country Gathering	Gas Pipeline	$120	100 mmcf/d	2H'15
Utica Access	Gas Pipeline	***$50***	200 mmcf/d	Q4'16
Leach XPress	Gas Pipeline	***$1,400***	1.5 bcf/d	2H'17
Rayne XPress	Gas Pipeline	***$350***	1.0 bcf/d	2H'17
Cameron Access Project	Gas Pipeline	$310	800 mmcf/d	Q3'17
WB Xpress	Gas Pipeline	***$1,000***	1.3 bcf/d	Q4'18
Mountaineer Xpress	Gas Pipeline	***$500-$1000***	.75-2 bcf/d	1H'17/4Q'18

Source: NI, USCA

- **MLP:** Company said that they look to make a decision on and around an MLP in the third quarter.

- **Regulatory:** Tons of regulatory activity since the last meeting. Some of the more impactful items include:
  - **Columbia Gas of PA:** Granted a $55mm rate increase in PA (effective 7.1.13). Filed rate case on 3.21.14 to support continuation of ongoing infrastructure modernization program. Would increase revenues by ~$54mm if approved. Decision expected this year.
  - **Columbia Gas of OH:** Received approval from PUC on 4.23.14 for annual infrastructure replacement and demand-side management rider. Revenue increase of $26mm.
  - **Columbia Gas of VA:** Filed rate case in April 2014 with request for $32mm rate increase, with $25mm of that incremental. Decision expected by year-end with new rates effective 10.1.14.
  - **Columbia Gas of KY:** Commission adopted a settlement in Dec. 2013 which provided for an $8mm rate increase effective 12.29.13.
  - **Bay State Gas (MA):** In Feb. 2014, the Massachusetts Department of Public Utilities granted a $19mm rate increase effective 3.1.14.
  - **NIPSCO (IN):** On April 30, IURC approved their Transmission, Distribution & Storage system improvement charge (TDSIC) rider. Seven-year investment of $710mm, with 80% tracked. Adds revenue of $6mm in '15, $10mm in '16, $12mm in '17, $11mm in '18 and $13mm in '19.
  - **IN Infrastructure Tracking:** Northern Indiana filed a 7-yr electric infrastructure plan with the IURC on July 19. Anticipated investment opportunities of >$1B, with 80% tracked. 2014 investment anticipated at $75mm.

- **Transmission ROEs INDIEC:** On Nov. 12, 2013, several industrial customers, including INDIEC, filed a complaint at the FERC regarding the 12.38% ROE used to set the MISO Transmission owners' transmission rates and requesting a reduction in the base ROE to 9.15% and a capital structure no more than 50% equity. NIPSCO joined in an answer defending the ROE and to dismiss the complaint. We see any impact as minimal to NI given their ~$500mm of target projects (Reynolds to Hiple and Reynolds to Greentown) vs. an overall NI rate base of ~$9B.

What to Look for This Year?

- **Guidance:**
    - ***Previous guidance from two years ago ('12-'17 period):*** 5-7%/yr EPS growth; 3-5%/yr dividend growth with 60-70% payout ratio target; and $1.5-$1.8B/yr capex.
    - ***USCA Estimates ('14-'19 period)***: 8-10%/yr average EPS growth (more back-end weighted); 5-7%/yr dividend growth with 50-60% payout ratio; and $2-$2.5B/yr capex. With more detail due to come out of the meeting on major project costs, our estimates will be subject to some fine-tuning. Our estimates do not yet factor in an MLP as we need more specifics on what the MLP would look like. A 50-60% payout ratio is low, but with a larger anticipated capex program, Debt/EBITDA at ~5x and a historically conservative company, we think it's in the ballpark.
- **MLP Structure:** Widely expected that NI will outline plans and specifics for an MLP for their Gas Transportation & Storage assets. At this point we have no idea how NI plans to structure the MLP – targeted distribution growth rate, timing of dropdowns, MLP role in funding organic growth, dropdowns done for what percent cash vs. equity. That said, we still need to estimate what an MLP would mean to NI's valuation and what the market is current imputing in the stock.
    - ***What is Market Imputing?:*** To back into what we think the market is imputing for an MLP within NI's ~$40/sh price we assumed the market is paying industry-type multiples on '15 EBITDA for the utilities and then netted out the debt. It gets us to 16.2x for the Gas Transportation & Storage assets, roughly in line with peer multiples (EQM at 17.2x, SEP 14.5x, EPB 14.4x), and a total value of ~$10.7B.

Current NI Valuation - Implied Midstream Value - Using '15E Multiples

Net Asset Value				
		Shares outstanding		*316mm*
Segment	**'15 EBITDA ($mm)**	**Multiple**	**Value**	**Value/sh**
Gas Distribution	$801	8.0x	$6,408	$20.25
Gas Trans. & Storage	$663	*16.2x*	*$10,716*	$33.87
Electric Ops	$599	8.0x	$4,791	$15.14
Net Debt			($9,272)	($29.30)
Current Share Price			$12,644	$40

Source: USCA, Company Reports

** Important Disclosures on pages 5-6 of this report **

- *What Could the Value Be?:* We have made a world of assumptions in order to get to a number, so here are just a few of those: 10% of assets initially dropped and the remainder dropped down over an eight-year period; drops at 10x EBITDA multiple; and target distribution growth of 15%/yr with 1.0-1.1x coverage. If our plethora of assumptions are correct, it says the market has factored in the MLP, with a total value of ~$10.7B.

NI Potential MLP Value ($mm)	
GP Value	$8,151
LP Unit Value	$768
NPV of Undropped Assets	$1,773
Total Potential Value	$10,692

Source: USCA

- **Deep Dive on Segments:** Expect a deep dive into the segments, with more specifics on costs behind some of the recently announced projects as well additional opportunities on the horizon.

Analyst Certification:

We, Becca Followill, James Carreker, and Zachary Rollins, do hereby certify that the recommendations and opinions expressed in this presentation accurately reflect our personal views about any and all of the subject securities or issues discussed herein. Furthermore, no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein. We do not own any shares directly or indirectly (or any derivative thereof) of the company that is subject to this research report. Neither we nor any member of our households serves as an officer, director or advisory board member of any company that is subject to this presentation.

Employees of U.S. Capital Advisors LLC ("USCA" or "the Firm") not involved in the preparation of this report may have investments in securities or derivatives of securities of companies mentioned in this report, and may buy, sell, or trade them in ways different from, or in a manner inconsistent with, the recommendations and opinions expressed in this report.

Important Disclosures:

Analysts' compensation is not based on investment banking revenue and the analysts are not compensated by the subject companies. USCA provided and received compensation for providing investment banking services for the following subject companies within the past 12 months: EQT Midstream Partners (EQM), Oiltanking Partners (OILT), Plains All-American Pipeline (PAA), Plains GP Holdings (PAGP) and Rose Rock Midstream (RRMS). Within the next three months USCA may attempt to seek compensation for investment banking services from the companies mentioned within this report.

Opinion Key:

USCA uses a Buy, Overweight, Hold, Underweight and Sell rating system.

BUY - The stock has among the best combination of risk/reward and positive company specific catalysts within the sector. Stock is expected to trade higher on an absolute basis and be a top performer relative to peer stocks over the next 12 months.

OVERWEIGHT - The stock has above average risk/reward and is expected to outperform peer stocks over the next 12 months.

HOLD - The stock has average risk/reward and is expected to perform in line with peer stocks over the next 12 months.

UNDERWEIGHT - The stock has below average risk/reward and is expected to underperform peer stocks over the next 12 months.

SELL - The stock's risk/reward is skewed to the downside with possible negative company specific catalysts or excessive valuation. The stock is expected to trade lower on an absolute basis and be among the worst performers relative to peer stocks over the next 12 months.

Risks that may impede achievement of price target(s):

Industry wide risks include but are not limited to environmental and regulatory for both pipeline and E&P, aging infrastructure and availability of midstream infrastructure to accommodate new production. Competition for and availability of service crews and drilling rigs. Commodity prices, the economic outlook, access to capital markets. Interest rates. Asset recontracting. Cost overruns.

Price Target Methodology:

For C-Corps, our price targets are, generally, based on a traditional sum of the parts analysis. For traditional pipes and midstream assets, we value at 8-12x EBITDA multiples (usually forward year unless it doesn't represent a good run rate). LP units are marked to current market. GP values are determined using a discounted cash flow of projected distributions and then tax effected.

For MLPs, we average three different valuations as we have yet to find one pure way to value MLPs that captures the many nuances – current yield, growth, GP IDRs, equity to fund growth, etc. For all three methods, we start with six-year projections of LP distributions and assume a terminal growth rate. The three valuation methods – Traditional CAPM, Growth Adjusted Cash Yield, and GP Adjusted Distribution Discount Model – each yield a different cost of equity, which is then used as the discount rate against the projected distributions and terminal growth rates. Traditional CAPM is a straight forward traditional use of the Capital Asset Pricing Model. Growth Adjusted Cash Yield uses projected yield plus an adjustment for expected long-term distribution growth. GP Adjusted Distribution Discount Model uses average annual forecasted distributions for both the GP and LP for the next three years divided by the average number of forecasted LP units over the next three years divided by the current LP unit price. In our view, this method helps account for the higher cost of capital associated with GP IDRs.

Distribution of Ratings (as of September 12, 2014):

Recommendation	Count	Percent	Investment Banking Relationship	Count	Percent
Overweight/Buy	35	56%	Overweight/Buy	8	23%
Hold	27	44%	Hold	1	4%
Underweight/Sell	0	0%	Underweight/Sell	0	0%

Historical Ratings and Price Targets may be found by clicking the link below:
USCA Rating and Price Target History

For hard a hard copy of our price target/ratings history, please call 888-601-USCA (8722), or write to U.S. Capital Advisors, 1330 Post Oak Blvd., Suite 900, Houston, TX, 77056.

A list of common terms and abbreviations may be found by viewing our Glossary.

Securities offered through USCA Securities LLC, member FINRA/SIPC. Investment Advisory Services offered through USCA RIA LLC. Municipal advisory services offered through USCA Municipal Advisors LLC.

NiSource

(NI-NYSE)

Stock Rating: Market Perform
Industry Rating: Market Perform

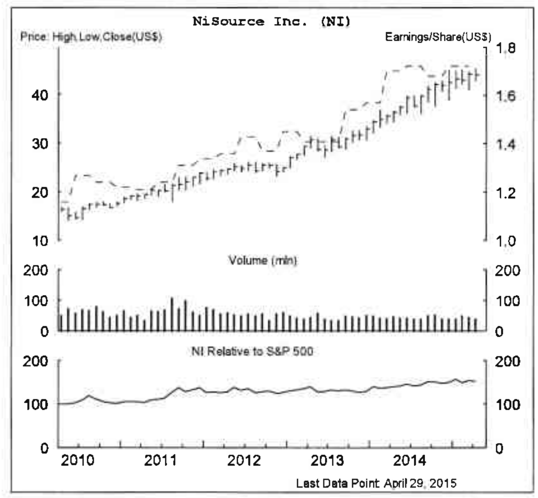
April 30, 2015

Carl Kirst, CFA **713-546-9756**
BMO Capital Markets Corp.
carl.kirst@bmo.com

Leah Jordan, CFA / Earl Lee
BMO Capital Markets Corp.
713-546-9707 / 713-546-9764
leah.jordan@bmo.com / earl.lee@bmo.com

1Q15 In Line; Separation Tracking to Plan

Price (30-Apr)	$43.42	**52-Week High**	$45.25
Target Price	$46.00↑	**52-Week Low**	$35.76



(FY-Dec.)	2013A	2014A	2015E	2016E
EPS	$1.57	$1.72	$1.84↑	$1.95
P/E			23.6x	22.3x
CFPS	$4.37	$4.61	$4.63↑	$4.59↓
P/CFPS			9.4x	9.5x
Rev. ($mm)	$5,657	$6,471	$6,443	$6,745
EV ($mm)	$23,366	$23,366	$23,366	$23,366
EBITDA ($mm)	$1,745	$1,890	$2,019	$2,104
EV/EBITDA	13.4x	12.4x	11.6x	11.1x

Quarterly EPS	Q1	Q2	Q3	Q4
2013A	$0.69	$0.23	$0.18	$0.47
2014A	$0.82	$0.25	$0.14	$0.51
2015E	$0.85a	$0.29↑	$0.19	$0.52

Dividend	$1.04	Yield	2.4%
Book Value	$18.21	Price/Book	2.4x
Shares O/S (mm)	313.3	Mkt. Cap (mm)	$13,603
Float O/S (mm)	310.8	Float Cap (mm)	$13,496
Wkly Vol (000s)	9,653	Wkly $ Vol (mm)	$392.3
Net Debt ($mm)	$6,740	Next Rep. Date	na

Notes: All values in US$
First Call Mean Estimates: NISOURCE INC (US$) 2015E: $1.80; 2016E: $1.90

Event

NI reported 1Q15 EPS of $0.85, slightly above our $0.84 estimate and $0.83 consensus, affirming NI continues to execute solidly on its plan. Relative to our estimates, we note beats in LDC (+$0.04) and interest (+$0.01) were partially offset by misses in pipes (-$0.01) and electric (-$0.03). Key takeaways: 1) the planned tax-free separation of the pipes/CPGX remains on track for July 1, with the debt recapitalization process expected in May; 2) the $2.6B (upsized from $2.0-2.5B) Mountaineer and Gulf projects concluded a successful binding open season last week. Critical mass commercially has been reached and so fully expect these projects to move forward, with results of the open season likely refining the rate of return; and 3) additional upside potential could come from two additional projects under development, $500 mm Appalachia G&P and $250 mm net investment in phase II of Pennant JV. Next, we look to NI's webcast on May 14 for further detail on both entities post-separation, noting growth rates are of top interest for investors. We expect dividend growth rates of 4-6% per annum for NiSource remain-co (utilities) and a mid-teens CAGR for CPGX, although likely starting lower (10-15%) and ramping (to 20%+) as growth projects come online, namely the larger $1.8B Rayne/Leach (4Q17), $850 mm WB Express (4Q18) and $2.6B Mountaineer/Gulf (4Q18).

Impact & Analysis

Owing to the 1Q beat, we are increasing our 2015 estimate by a penny to $1.84, while our 2016-2018 estimates remain unchanged.

Valuation & Recommendation

We are increasing our price target by $3 to $46 with the inclusion of the Gulf and Mountaineer projects; that said, given potential delay risks on large-scale infrastructure and late 2018 timing to start, we ascribe only 50% of its ~$6/sh NAV in our near-term valuation, and expect this to phase-in higher with execution. On a separated basis, our $46 price target reflects $19/sh for NI remain-co (utilities) and $27/sh for CPGX. We maintain our Market Perform rating given about 8% total return potential including the 2.4% yield.

Changes	Annual EPS	Annual CFPS		Quarterly EPS	Target
	2015E $1.83 to $1.84	2015E $4.35 to $4.63	2016E $4.62 to $4.59	Q2/15E $0.28 to $0.29	$43.00 to $46.00

Please refer to pages 7 to 10 for Important Disclosures, including the Analyst's Certification.

1Q15 at a Glance

NI reported 1Q15 EPS of $0.85, slightly above our $0.84 estimate and $0.83 consensus. Primary deltas to our estimate along with business segment summaries are detailed below:

-$0.01 Pipes. EBIT of $163 million was slightly lower than our $167 million estimate, primarily due to less "other" revenue, mainly related to a larger drop in mineral rights royalties, while the core pipeline transportation and storage business performed as expected. Specifically, total throughput of 619 MMDth increased 5% y/y.

For 2015, this segment has a capital investment budget of approximately $1.1 billion, including the approved Columbia Gas modernization program and several contracted pipeline expansions under way. Over the next 10 years, NI sees about $14-17 billion of investment opportunities, including pipeline expansions, system modernization, and additional growth within its midstream business.

+$0.04 LDC. Adjusted EBIT of $306 million (net of weather) was greater than our $286 million estimate, primarily due to a higher unit tariff, while total volumes of 402 MMDth (+1% y/y) were in line with our expectations.

For 2015, this segment has a capital investment budget of approximately $900 million, including tracker spending and the approved NIPSCO Gas modernization program. Over the long term, NI sees about $20 billion of investment opportunities across its service territory which includes seven LDCs in seven states.

-$0.03 Electric. Adjusted EBIT of $67 million (net of weather) was lower than our $84 million estimate, primarily due to lower volumes of 4,374 GW hours (-9% y/y), largely attributable to declines in industrial and wholesale usage.

For 2015, this segment has a capital investment budget of approximately $400 million, including tracker spending and the approved NIPSCO Electric modernization program. Over the long term, NI sees about $10 billion of investment opportunities, including system modernization, environmental upgrades and transmission projects.

Corp/Other on target. Adjusted EBIT of $0 million (net of transaction costs) was in line with our estimate.

+$0.01 Interest. Interest expense of $111 million was lower than our $116 million estimate.

Taxes on target. The effective tax rate of 36% was in line with our estimate.

Major Project Update

Mountaineer Xpress and Gulf Xpress

Last week, successful binding open seasons concluded for both Mountaineer Xpress (MXP) and the complementary Gulf Xpress (GXP); these projects aim to provide additional takeaway capacity (2.7 Bcf/d and 0.9 Bcf/d, respectively) for Marcellus and Utica gas production in Ohio, Pennsylvania and West Virginia. Positively, Mountaineer and Gulf now have critical mass with firm customer commitments in place, and so we fully expect this project to move forward. Interest from the binding open season will probably inform the rate of return on the project, rather than hinging on it going forward. With a refined estimated cost of $2.6 billion (increased from the $2.0-2.5 billion estimate prior), we estimate these two projects collectively represent about $6/sh of incremental NAV. That said, recognizing the potential delay risks associated with 150 miles of new pipeline build, and a base in-service date not until 4Q18, we are ascribing only 50% of the projects' net asset value into our price target today, with the remainder of the value to phase in with execution.

Separation

We also note the tax-free separation of Columbia Pipeline Group (CPGX) remains on target for an effective July 1 share distribution date, with a "when-issued" trade sometime in June. The company has set May 14 for a three-hour deep dive of the post-spin structures of both NiSource remain-co and CPGX, and we look to then to true up our estimates and valuation forecast. That said, with the addition of MXP and GXP, we now see the value of NI today at $46, with the utility component contributing $19/sh and the pipeline component at $27/sh.

Exhibit 1: NiSource Valuation

NiSource Inc.

Sum-of-the-Parts Valuation Analysis

	2019E	2016 Valuation Multiple		Notes:
COLP				
EV/EBITDA				
EBITDA (2019)	$1,253	15.0x	$18,790	
Enterprise Value of COLP			$18,790	
Net COLP Debt (YE17)			($4,930)	
Net publicly owned portion of MLP			($2,479)	
Net Equity Value			$11,381	
Diluted Shares Outstanding			317	
$/sh			$35.86	
Discount to 2016			$28.46	
P/DCF				
DCF (2019)	$1.28	19.0x	$24.34	
Discount to 2016			$19.32	
Average COLP Price Target–2019			$30.10	
Average COLP Price Target–2016 NPV			$23.89	
50%-risked NPV of Mountaineer/Gulf			$3.08	
Net COLP Price Target			$26.98	

	2016E	Valuation Multiple		Notes:
NI Remain Co				
EBITDA by Segment				
Gas Distribution	$806	10.0x	$8,056	
Electric	$599	9.0x	$5,394	
Other	$48	5.0x	$241	
Enterprise Value of NI Remain Co	$1,453	9.4x	$13,691	
Net NI Debt (YE 2015)			($7,592)	Consolidated, net of cash
Pension/OPEB Underfunded Obligation	($448)	25%	($112)	- est underfunded at YE14; risk adjusted at 25% (rest assumes recovery in rates)
Net Equity Value			$5,986	
Diluted Shares Outstanding			317	
$/sh			$18.86	
Net NI Remain Co Price Target			$18.86	
Target Price (rounded):			**$46.00**	
Valuation Summary:				
Current Price			$43.42	
Current Dividend			$1.04	
Appreciation Potential			5.9%	
Current Yield			2.4%	
Total Return Potential			8.3%	

Source: BMO Capital Markets estimates, company data.

Exhibit 2: NiSource Income Statement

Consolidated Earnings ($ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	2013A	2014A	Q1	Q2	Q3	Q4	2015E	2016E	2017E	2018E
Operating Revenues:														
Gas Distribution	$3,303	$3,096	$2,918	$1,960	$2,226	$2,598	$1,081	$654	$410	$985	$3,129	$3,633	$3,716	$3,799
Pipelines & Storage	1,241	1,261	1,355	1,462	1,643	1,873	628	371	344	377	1,720	1,498	1,549	1,918
Electric	1,213	1,375	1,428	1,508	1,563	1,672	395	420	440	408	1,662	1,748	1,808	1,868
Other	542	603	318	161	224	328	46	(30)	(44)	(41)	(69)	(135)	(135)	(135)
Revenues	6,299	6,335	6,019	5,091	5,657	6,471	2,150	1,415	1,150	1,729	6,443	6,745	6,938	7,450
Operating Expenses:														
Cost of Sales	2,978	2,898	2,556	1,549	1,816	2,224	806	394	187	532	1,919	2,050	2,066	2,081
Operation & Maintenance	1,650	1,654	1,723	1,674	1,874	2,136	574	544	538	579	2,235	2,277	2,344	2,413
DD&A	589	596	538	564	577	606	158	158	161	163	640	671	699	778
Loss (gain) on asset sales	16	1	17	(4)	(18)	(32)	(5)	0	0	0	(5)	0	0	0
Taxes and Other	283	287	295	289	301	320	102	72	66	89	329	336	337	339
Total Operating Expenses	5,516	5,436	5,129	4,072	4,550	5,255	1,635	1,168	952	1,363	5,118	5,334	5,446	5,611
Operating Income	783	899	890	1,020	1,108	1,216	515	247	198	366	1,325	1,411	1,492	1,839
Other:														
Equity in Earnings	16	15	15	32	36	47	15	15	15	15	62	72	83	93
Other	(6)	4	(61)	(1)	24	22	7	(1)	(1)	(1)	4	(4)	(4)	(4)
Total Other Income	10	19	(47)	31	60	69	23	14	14	14	66	68	79	89
Reported EBIT	**$793**	**$918**	**$844**	**$1,051**	**$1,168**	**$1,286**	**$537**	**$261**	**$212**	**$381**	**$1,391**	**$1,479**	**$1,570**	**$1,929**
EBITDA	**$1,383**	**$1,614**	**$1,382**	**$1,615**	**$1,745**	**$1,890**	**$695**	**$416**	**$370**	**$538**	**$2,019**	**$2,104**	**$2,168**	**$2,670**
EBIT Composition														
Gas Distribution	328	324	393	403	445	537	325	66	7	168	565	564	592	619
Pipelines & Storage	389	377	360	398	441	491	163	126	113	152	554	625	710	941
Electric	117	233	210	251	266	283	70	73	97	67	308	340	374	408
Corporate & Other	(40)	(16)	(119)	(2)	15	(26)	(21)	(1)	(1)	(1)	(24)	(4)	(4)	(4)
Total EBIT	**$793**	**$918**	**$844**	**$1,051**	**$1,168**	**$1,285**	**$537**	**$264**	**$216**	**$386**	**$1,403**	**$1,526**	**$1,672**	**$1,964**
Interest Expense	399	392	377	416	415	444	111	114	118	120	463	493	605	642
Preferred Distributions of Subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing Expense	399	392	377	416	415	444	111	114	118	120	463	493	605	642
Minority Interests (NI MLP)	0	0	0	0	0	0	(7)	(9)	(8)	(11)	(35)	(81)	(106)	(174)
Income Before Taxes	394	526	467	635	753	841	419	141	90	255	905	951	960	1,148
Income Taxes														
Current	(214)	118	(15)	(86)	(26)	11	16	30	19	53	118	200	202	241
Deferred	378	55	178	305	287	299	135	20	13	36	203	133	134	161
Total Income Taxes	165	173	163	219	262	310	151	49	32	89	321	333	336	402
Effective Inc. Tax Rate (%)	42%	33%	35%	34%	35%	37%	36%	35%	35%	35%	35%	35%	35%	35%
Net Income From Continuing Operations	229	353	304	416	491	531	268	92	59	166	584	618	624	746
Discontinued Operations, net	(12)	(0)	(5)	0	6	(1)	0	0	0	0	0	0	0	0
Change in Accounting	(0)	(58)	0	0	35	0	0	0	0	0	0	0	0	0
GAAP Net Income to Common	**$218**	**$294**	**$299**	**$416**	**$532**	**$530**	**$268**	**$92**	**$59**	**$166**	**$584**	**$618**	**$624**	**$746**
Adjustments to Core														
Asset Impairment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gain (Loss) From Disposal	(8)	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Non-Recurring Gains (Loss)	(40)	11	(74)	(17)	(3)	(12)	0	0	0	0	0	0	0	0
Total Adjustments	(49)	11	(74)	(17)	(3)	(12)	0	0	0	0	0	0	0	0
Non-GAAP Core Earnings	**$278**	**$342**	**$378**	**$433**	**$484**	**$543**	**$268**	**$92**	**$59**	**$166**	**$584**	**$618**	**$624**	**$746**
Shares Outstanding (mm)														
Avg. Diluted Shares Out	276	280	289	300	314	317	317	317	318	318	318	318	318	318
Avg. Basic Shares Out	275	278	280	292	312	315	317	316	317	317	317	317	317	317
Period-end basic Shares Out	276	279	282	311	314	316	316	317	317	317	317	317	317	317
Earnings Per Share (Diluted)														
GAAP EPS	**$0.79**	**$1.05**	**$1.04**	**$1.39**	**$1.70**	**$1.67**	**$0.85**	**$0.29**	**$0.19**	**$0.52**	**$1.84**	**$1.95**	**$1.97**	**$2.35**
Core EPS	**$1.01**	**$1.22**	**$1.31**	**$1.44**	**$1.57**	**$1.72**	**$0.85**	**$0.29**	**$0.19**	**$0.52**	**$1.84**	**$1.95**	**$1.97**	**$2.35**
EPS Growth (core)	-19.4%	21.0%	7.4%	10.0%	9.3%	9.4%	3.1%	17.2%	28.8%	3.0%	6.8%	5.7%	1.0%	19.5%
Dividends														
Cash per share	$0.92	$0.92	$0.92	$0.94	$0.98	$1.02	$0.26	$0.26	$0.28	$0.28	$1.08	$1.16	$1.24	$1.32
Div Growth	0.0%	0.0%	0.0%	2.2%	4.3%	4.1%	4.0%	4.0%	7.7%	7.7%	5.9%	7.4%	6.9%	6.5%
Payout Ratio (%)	116.6%	87.5%	88.7%	67.9%	57.8%	60.9%					58.7%	59.6%	63.1%	56.2%

Source: BMO Capital Markets estimates, company data.

Exhibit 3: NiSource Cash Flow Statement

Cash Flow Statement ($ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	2013A	2014E	Q1	Q2	Q3	Q4	2015E	2016E	2017E	2018E
Operating Activities														
GAAP Net Income from Cont. Ops	218	292	299	416	532	530	275	92	59	166	591	618	624	746
DD&A	589	596	538	562	577	606	158	158	161	163	640	671	699	778
Deferred income tax benefit	378	200	178	305	287	299	135	20	13	36	203	133	134	161
Deferred Revenues	4	(20)	3	(8)	(7)	2	5	0	0	0	5	0	0	0
Amortization of premium on debt	13	10	9	10	9	10	3	0	0	0	3	0	0	0
Less Gain or Loss on assets	(4)	(0)	0	(4)	(18)	(32)	(5)	0	0	0	(5)	0	0	0
Less Equity Earnings plus Cash Distributions	(15)	7	16	4	(4)	(8)	4	0	0	0	4	0	0	0
Non-cash minority interest	0	0	0	0	0	0	0	9	8	11	28	81	106	174
Other non-cash income items	36	112	139	11	(6)	54	13	(3)	(4)	(5)	1	(46)	(102)	0
OCF (pre-working capital)	$1,219	$1,197	$1,183	$1,295	$1,372	$1,461	$587	$275	$237	$370	$1,469	$1,457	$1,463	$1,860
OCF per share	$4.42	$4.27	$4.10	$4.31	$4.37	$4.61	$1.86	$0.87	$0.75	$1.16	$4.63	$4.59	$4.61	$5.86
Working Capital:														
Accounts and notes receivable	259	(244)	318	(181)	31	(60)	(94)				(94)	0	0	0
Inventory	129	103	(142)	62	(9)	(120)	297				297	0	0	0
Less Change of Price Risk Management Activities	0	0	0	0	0	0	0				0	0	0	0
Accounts payable	(192)	38	(155)	57	68	38	(84)				(84)	0	0	0
Customer deposit, net	25	(25)	(5)	(44)	(7)	107	(122)				(122)	0	0	0
Other assets	83	(206)	(201)	144	21	(6)	(49)				(49)	0	0	0
Other Liabilities	382	(86)	(78)	(68)	(49)	(99)	68				68	0	0	0
Changes in Working Capital	686	(420)	(262)	(30)	55	(140)	17	0	0	0	17	0	0	0
Discontinued Operations	(255)	(57)	(50)	11	10	(1)	0	0	0	0	0	0	0	0
Cash Flow From Operations	1,651	720	870	1,276	1,437	1,320	604	275	237	370	1,486	1,457	1,463	1,860
Investing Activities														
Capital Spending (to PP&E)	(777)	(804)	(1,125)	(1,499)	(1,880)	(2,029)	(408)	(601)	(601)	(795)	(2,405)	(2,645)	(2,805)	(1,825)
Purchases of equity investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from asset sales	6	1	9	26	18	13	12	0	0	0	12	0	0	0
Other	109	(140)	(34)	51	(148)	(101)	7	0	0	0	7	0	0	0
Cash Used in Investing	(662)	(944)	(1,149)	(1,422)	(2,010)	(2,117)	(389)	(601)	(601)	(795)	(2,386)	(2,645)	(2,805)	(1,825)
Discontinued Operations	8	0	0	(3)	119	0	0	0	0	0	0	0	0	0
Investing Cash Flow	(655)	(943)	(1,149)	(1,425)	(1,891)	(2,117)	(389)	(601)	(601)	(795)	(2,386)	(2,645)	(2,805)	(1,825)
Financing Activities														
Sale of Common Stock	26	14	24	384	44	30	6	8	0	0	14	0	0	0
Sale of Common Units (MLP)	0	0	0	0	0	0	1,168	0	0	0	1,168	500	600	500
Sale of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sale of L.T. Debt	1,460	250	890	988	1,308	748	0	0	0	0	0	750	750	0
Sale of L.T. Debt (MLP)	0	0	0	0	0	0	0	0	0	0	0	0	1,100	600
Redemption of Common Stock	(3)	(2)	(3)	(10)	(8)	(10)	0	0	0	0	0	0	0	0
Redemption of Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Redemption of L.T. Debt	(1,170)	(1,071)	(287)	(332)	(511)	(521)	(8)	0	0	(230)	(238)	0	0	(500)
Redemption of L.T. Debt (MLP)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in Notes Payable, LC, ST Debt	(1,061)	1,280	(23)	(582)	(78)	878	(1,263)	400	500	750	387	(150)	0	0
Change in Notes Payable, LC, ST Debt (MLP)	0	0	0	0	0	0	0	0	0	0	0	500	(500)	0
Payments to Minority Interests	0	0	0	0	0	0	0	(8)	(8)	(9)	(32)	(55)	(87)	(124)
Dividends	(253)	(256)	(258)	(273)	(306)	(321)	(82)	(82)	(89)	(89)	(342)	(367)	(393)	(418)
Other	0	0	(62)	0	(3)	(9)	(20)	0	0	0	(20)	0	0	0
Cash From (For) Financing	(1,000)	216	281	175	445	796	(199)	318	403	423	937	1,177	1,471	59
Discontinued Operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing Cash Flow	(1,000)	216	281	175	445	796	(199)	318	403	423	937	1,177	1,471	59
Change in Cash	($4)	($7)	$2	$25	($9)	($1)	$17	($8)	$39	($2)	$37	($11)	$128	$93
Cash & Temp. Inv. Beginning of Yr.	$21	$16	$9	$12	$36	$27	$25	$42	$34	$73	$25	$63	$52	$180
Cash & Temp. Inv. End of Yr.	$16	$9	$12	$37	$27	$25	$42	$34	$73	$71	$63	$52	$180	$274

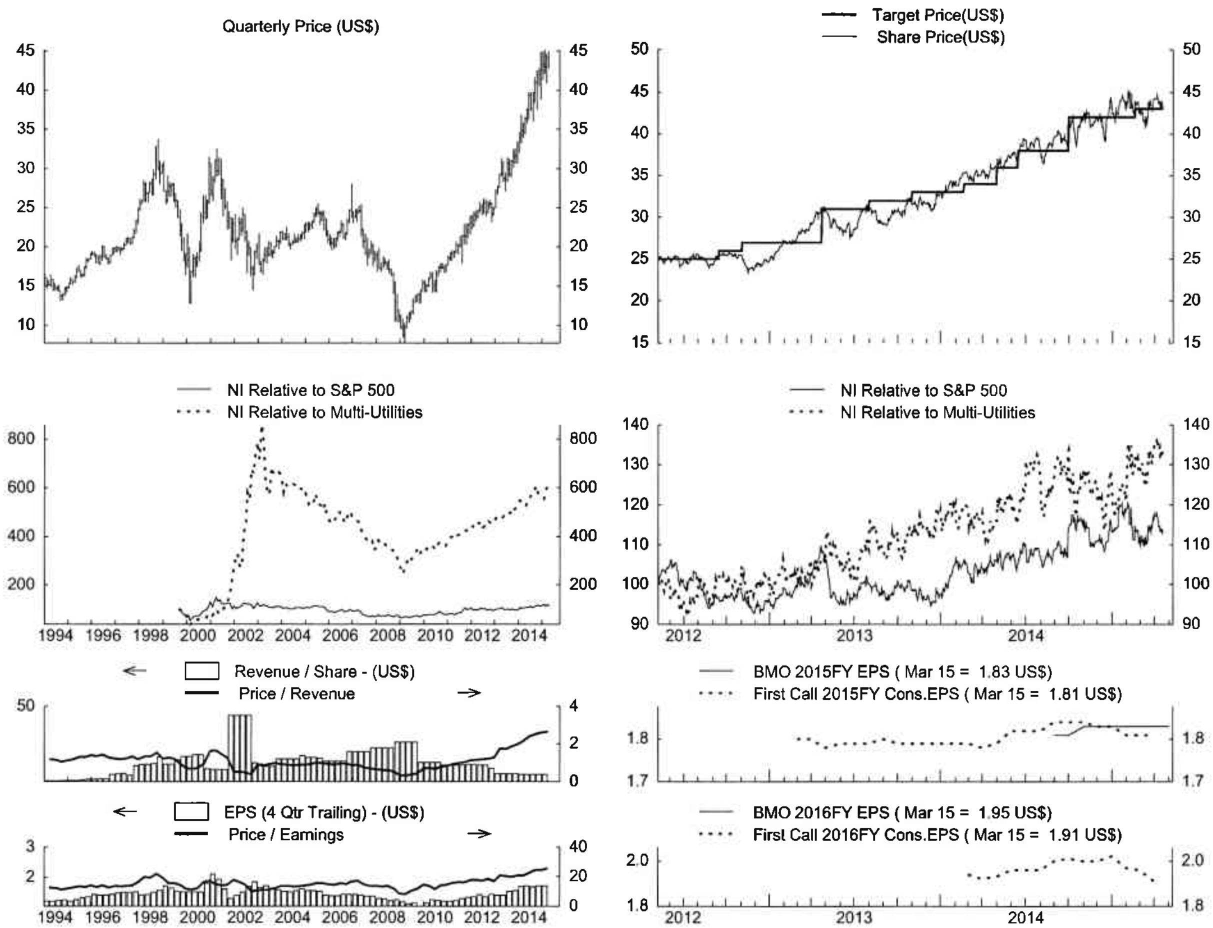
Source: BMO Capital Markets estimates, company data.

Exhibit 4: NiSource Balance Sheet

Balance Sheet ($ Millions Except Per Share Data)	2009A	2010A	2011A	2012A	2013A	2014E	Q1	Q2	Q3	Q4	2015E	2016E	2017E	2018E
Assets:														
Cash & Equivalent	16	9	12	36	27	25	42	34	73	71	71	52	180	274
Restricted Cash	175	203	161	47	8	25	22	22	22	22	22	22	22	22
Receivables	848	1,121	951	1,114	1,105	1,158	1,269	1,269	1,269	1,269	1,269	1,269	1,269	1,269
Allowance for Uncollectable Acts.	(40)	(41)	(31)	(24)	(24)	(25)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)
Unbilled Revenues	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Underrecovered gas & fuel costs	40	136	21	45	46	32	26	26	26	26	26	26	26	26
Inventories	385	428	566	496	500	616	319	319	319	319	319	319	319	319
ST Assets Price Risk Management	173	160	137	92	23	0	0	0	0	0	0	0	0	0
Regulatory Assets	238	152	170	163	143	194	160	160	160	160	160	160	160	160
Other Current Assets	387	283	262	384	331	442	465	465	465	465	465	465	465	465
Total Current Assets	2,224	2,449	2,248	2,352	2,159	2,467	2,261	2,253	2,292	2,290	2,290	2,271	2,399	2,493
Plant & Equipment (Gross)	19,038	19,590	20,470	21,902	23,622	25,596	25,970	26,571	27,173	27,968	27,968	30,613	33,418	35,243
Accumulated DD&A	(8,354)	(8,493)	(8,670)	(8,986)	(9,257)	(9,579)	(9,687)	(9,845)	(10,006)	(10,169)	(10,169)	(10,840)	(11,539)	(12,318)
Plant & Equipment, Net	10,684	11,097	11,800	12,916	14,365	16,017	16,283	16,727	17,167	17,799	17,799	19,773	21,878	22,925
Investments	295	349	358	438	578	663	657	657	657	657	657	657	657	657
LT Assets Price Risk Management	238	240	189	56	1	0	0	0	0	0	0	0	0	0
Regulatory Assets	1,644	1,650	1,978	2,024	1,522	1,696	1,683	1,683	1,683	1,683	1,683	1,683	1,683	1,683
Goodwill	3,677	3,677	3,677	3,677	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666
Intangible Assets	320	309	298	287	276	265	262	262	262	262	262	262	262	262
Other Long Term Assets (& flywheel)	53	168	162	94	87	92	87	80	76	71	71	44	39	(136)
Total Assets	19,134	19,939	20,708	21,845	22,654	24,666	24,699	25,328	25,803	26,427	26,427	28,355	30,584	31,550
Liabilities & Equity:														
Short Term Debt	800	1,417	1,687	1,284	1,240	1,844	777	1,177	1,677	2,427	2,427	2,777	2,277	2,277
Accounts Payables	502	582	435	539	805	807	646	648	646	646	646	646	646	646
ST Liabilities Price Risk Management	190	174	168	95	1	0	0	0	0	0	0	0	0	0
Regulatory Liabilities	44	93	112	172	60	62	102	102	102	102	102	102	102	102
Other	1,575	1,384	1,245	1,212	1,071	1,242	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233
Total Current Liab	3,111	3,649	3,648	3,302	3,178	3,955	2,758	3,158	3,658	4,408	4,408	4,758	4,258	4,258
Long Term Debt	5,988	5,936	6,267	6,819	7,593	8,156	7,958	7,958	7,958	7,728	7,728	8,478	10,328	10,428
LT Liabilities Price Risk Management	170	182	139	20	0	0	0	0	0	0	0	0	0	0
Accumlated Deferred Taxes	2,018	2,243	2,571	2,953	3,278	3,679	3,804	3,823	3,836	3,872	3,872	4,005	4,139	4,300
Regulatory Liabilities	1,559	1,596	1,664	1,593	1,670	1,674	1,679	1,679	1,679	1,679	1,679	1,679	1,679	1,679
Other Liabilities	1,572	1,409	1,424	1,603	1,048	1,228	1,231	1,231	1,231	1,231	1,231	1,231	1,231	1,231
Total Liabilities	14,418	15,016	15,711	16,290	16,767	18,691	17,429	17,849	18,362	18,917	18,917	20,150	21,635	21,895
Preferred Equity/Securities of Consolidated Subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Common Equity	4,717	4,923	4,997	5,554	5,887	6,175	7,470	7,479	7,441	7,510	7,510	8,205	8,950	9,654
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Liab & Equity	19,134	19,939	20,708	21,845	22,653	24,866	24,899	25,328	25,803	26,427	26,427	28,355	30,584	31,550

Source: BMO Capital Markets estimates, company data.

NiSource Inc. (NI)



FYE (Dec.)	EPS US$	P/E Hi	P/E Lo	DPS US$	Yield% Hi	Yield% Lo	Payout %	BV US$	P/B Hi	P/B Lo	ROE %
1994	1.24	13.3	10.5	0.78	6.0	4.7	63	8.7	1.9	1.5	
1995	1.36	14.2	10.4	0.84	5.9	4.4	62	9.0	2.1	1.6	15
1996	1.43	14.1	12.3	0.90	5.1	4.5	63	9.2	2.2	1.9	16
1997	1.53	16.3	12.4	0.96	5.1	3.8	63	10.2	2.5	1.9	16
1998	1.59	21.2	14.4	1.02	4.5	3.0	64	9.8	3.5	2.3	16
1999	1.52	20.4	10.8	1.08	6.6	3.5	71	10.9	2.8	1.5	15
2000	1.89	16.7	6.7	1.08	8.5	3.4	57	16.6	1.9	0.8	14
2001	1.30	25.0	14.0	1.16	6.4	3.6	89	16.8	1.9	1.1	8
2002	2.00	12.5	7.3	1.16	8.0	4.6	58	20.1	1.2	0.7	11
2003	1.60	13.7	10.2	0.92	5.6	4.2	58	16.8	1.3	1.0	9
2004	1.61	14.2	12.2	0.92	4.7	4.0	57	17.7	1.3	1.1	9
2005	1.42	18.0	14.4	0.92	4.5	3.6	65	18.1	1.4	1.1	8
2006	1.43	19.6	13.6	0.92	4.7	3.3	64	18.3	1.5	1.1	8
2007	1.38	20.3	12.7	0.92	5.3	3.3	67	18.5	1.5	0.9	7
2008	1.27	15.6	8.1	0.92	8.9	4.6	72	17.2	1.1	0.6	7
2009	1.06	14.9	7.3	0.92	11.8	5.8	87	17.6	0.9	0.4	6
2010	1.22	14.7	11.6	0.92	6.5	5.1	75	17.7	1.0	0.8	7
2011	1.33	18.0	12.7	0.92	5.5	3.8	69	17.7	1.4	0.9	8
2012	1.44	18.2	15.0	0.96	4.4	3.7	67	17.9	1.5	1.2	8
2013	1.57	21.3	15.3	1.00	4.2	3.0	64	18.8	1.8	1.3	9
2014	1.72	26.1	17.8	1.04	3.4	2.3	60	17.5	2.6	1.8	9
Range*:		26.1	6.7		11.8	2.3			3.5	0.4	
Current*	1.72	25.7		1.04	2.4		60	18.2	2.4		9
Growth(%):											
5 Year:	8.2			2.5				0.7			
10 Year:	1.0			1.2				0.3			
20 Year:	1.7			1.4				3.8			

NI - Rating as of 26-Jun-08 = Mkt

* Current EPS is the 4 Quarter Trailing to Q4/2014.
* Valuation metrics are based on high and low for the fiscal year.
* Range indicates the valuation range for the period presented above.

Last Price (April 17, 2015): $43.15
Sources: IHS Global Insight, Thomson Reuters, BMO Capital Markets.

IMPORTANT DISCLOSURES

Analyst's Certification
I, Carl Kirst, CFA, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Analysts who prepared this report are compensated based upon (among other factors) the overall profitability of BMO Capital Markets and their affiliates, which includes the overall profitability of investment banking services. Compensation for research is based on effectiveness in generating new ideas and in communication of ideas to clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

Analysts employed by BMO Nesbitt Burns Inc. and/or BMO Capital Markets Limited are not registered as research analysts with FINRA (exceptions: Alex Arfaei and Brodie Woods). These analysts may not be associated persons of BMO Capital Markets Corp. and therefore may not be subject to the NASD Rule 2711 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Company Specific Disclosure
Disclosure 9: BMO Capital Markets makes a market in this security.

Methodology and Risks to Price Target/Valuation
Methodology: Sum of the Parts
Risks: 1) regulatory risk, 2) weather and 3) customer conservation

Distribution of Ratings (March 31, 2015)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	Starmine Universe
Buy	Outperform	43.7%	18.6%	58.2%	42.7%	55.5%	54.1%
Hold	Market Perform	51.4%	10.4%	38.5%	52.1%	41.9%	40.5%
Sell	Underperform	4.9%	9.4%	3.3%	5.2%	2.6%	5.5%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.
*** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage of Investment Banking clients.
**** Reflects rating distribution of all companies covered by BMO Capital Markets equity research analysts.
***** Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.

Rating and Sector Key (as of April 5, 2013):
We use the following ratings system definitions:
OP = Outperform - Forecast to outperform the analyst's coverage universe on a total return basis
Mkt = Market Perform - Forecast to perform roughly in line with the analyst's coverage universe on a total return basis
Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis
(S) = speculative investment;
NR = No rating at this time;
R = Restricted – Dissemination of research is currently restricted.

BMO Capital Markets' seven Top 15 lists guide investors to our best ideas according to different objectives (CDN Large Cap, CDN Small Cap, US Large Cap, US Small cap, Income, CDN Quant, and US Quant have replaced the Top Pick rating).

Prior BMO Capital Markets Ratings System (January 4, 2010–April 4, 2013):
http://researchglobal.bmocapitalmarkets.com/documents/2013/prior_rating_system.pdf

Other Important Disclosures
For Other Important Disclosures on the stocks discussed in this report, please go to http://researchglobal.bmocapitalmarkets.com/Public/Company_Disclosure_Public.aspx or write to Editorial Department, BMO Capital Markets, 3 Times Square, New York, NY 10036 or Editorial Department, BMO Capital Markets, 1 First Canadian Place, Toronto, Ontario, M5X 1H3.

Dissemination of Research
BMO Capital Markets Equity Research is available via our website https://research-ca.bmocapitalmarkets.com/Public/Secure/Login.aspx?ReturnUrl=/Member/Home/ResearchHome.aspx. Institutional clients may also receive our research via Thomson Reuters, Bloomberg, FactSet, and Capital IQ. Research reports and other commentary are required to be simultaneously disseminated internally and externally to our clients.

General Disclaimer
BMO Capital Markets" is a trade name used by the BMO Investment Banking Group, which includes the wholesale arm of Bank of Montreal and its subsidiaries BMO Nesbitt Burns Inc., BMO Capital Markets Limited in the U.K. and BMO Capital Markets Corp. in the U.S. BMO Nesbitt Burns Inc., BMO Capital Markets Limited and BMO Capital Markets Corp are affiliates. Bank of Montreal or its subsidiaries ("BMO Financial Group") has lending arrangements with, or provide other remunerated services to, many issuers covered by BMO Capital Markets. The opinions, estimates and projections contained in this report are those of BMO Capital Markets as of the date of this report and are subject to change without notice. BMO Capital Markets endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO Capital Markets makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO Capital Markets or its affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any security. BMO Capital Markets or its affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. BMO Capital Markets or its affiliates, officers, directors or employees have a long or short position in many of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that BMO Capital Markets or its affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein.

Additional Matters
To Canadian Residents: BMO Nesbitt Burns Inc. furnishes this report to Canadian residents and accepts responsibility for the contents herein subject to the terms set out above. Any Canadian person wishing to effect transactions in any of the securities included in this report should do so through BMO Nesbitt Burns Inc.
The following applies if this research was prepared in whole or in part by David Round, Edward Sterck or Brendan Warn: This research is not prepared subject to Canadian disclosure requirements. This research is prepared by BMO Capital Markets Limited and subject to the regulations of the Financial Conduct Authority (FCA) in the United Kingdom. FCA regulations require that a firm providing research disclose its ownership interest in the issuer that is the subject of the research if it and its affiliates own 5% or more of the equity of the issuer. Canadian regulations require that a firm providing research disclose its ownership interest in the issuer that is the subject of the research if it and its affiliates own 1% or more of the equity of the issuer that is the subject of the research. Therefore BMO Capital Markets Limited will disclose its and its affiliates' ownership interest in the subject issuer only if such ownership exceeds 5% of the equity of the issuer.
To U.S. Residents: BMO Capital Markets Corp. furnishes this report to U.S. residents and accepts responsibility for the contents herein, except to the extent that it refers to securities of Bank of Montreal. Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Capital Markets Corp.
To U.K. Residents: In the UK this document is published by BMO Capital Markets Limited which is authorised and regulated by the Financial Conduct Authority. The contents hereof are intended solely for the use of, and may only be issued or passed on to, (I) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (II) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together referred to as "relevant persons"). The contents hereof are not intended for the use of and may not be issued or passed on to retail clients.

Click here for data vendor disclosures when referenced within a BMO Capital Markets research document.

FLASH NOTE

Company Update

USA | Energy | Natural Gas

April 30, 2015

Jefferies

EQUITY RESEARCH AMERICAS

NiSource Inc. (NI)

Setting the Stage: 1Q Results Broadly In-Line

HOLD
Price target $43.00
Price $44.00

Key Takeaway

NI realized 1Q15 recurring diluted EPS of 83¢ (excl. asset sale gains), slightly ahead of our 81¢ estimate & the Street's 82¢ mean forecast; while EBITDA of $688mm was consistent with our projection, below-the-line items drove the modest EPS beat. Mgmt noted it remains on-track for a July 1st tax-free separation of CPGX and has scheduled webcast presentations for May 14th to separately discuss each company's post-separation investment propositions.

Columbia Pipeline Group. CPG's $158mm 1Q operating income (excl. asset sale gains) was a touch above our $153mm expectation, driven primarily by below-forecast costs. CPG has entered its 3rd year of investment under its LT system modernization program & mgmt noted that it began recovery in Feb. of ~$320mm in costs associated with 2014 program investments. A binding open season concluded on April 23rd for the proposed Mountaineer XPress & Gulf XPress projects and mgmt noted it is 'very encouraged' by the results. Together, these projects could involve ~2.7 Bcfd of new capacity on Columbia Gas, 0.9 Bcfd of new capacity of Columbia Gulf, and represent a total investment of ~$2.6B.

Regulated Businesses. The gas utilities posted 1Q operating income of ~$306mm, ahead of our ~$297mm estimate & sharply above 1Q14's $280mm, due primarily to regulatory decisions, tracked investments, and modernization efforts completed during the year. The electric operations reported 1Q operating income of $67mm, shy of our ~$76mm estimate. During 1Q, NIPSCO commenced 2015 investment under its 7-year modernization program with plans to deploy $193mm this year ($124mm gas / $69mm electric). In Feb., the Indiana URC granted permission for the first year of projects under NIPSCO's modernization program, but questioned the detail of out-year projects and noted plans to assign eligibility for the program on a project-specific basis during an annual review process.

CPGX separation plans. Mgmt noted it remains on-track for the anticipated tax-free separation of the midstream business on July 1st. The spin will create Columbia Pipeline Group, Inc. (CPGX), a natural gas focused midstream company, and leave NiSource as a fully-regulated natural gas and electric distribution company. NiSource shareholders are expected to receive a pro-rata dividend of CPG stock, with the final exchange ratio to be determined prior to deal closing. Mgmt expects CPGX to receive a formal credit rating prior to its May debt recapitalization & NI's rating to be reassessed just prior to the spin. At the time of our CPPL initiation, we offered detailed thoughts on the spin.

Dial-in for the Call: Today @ 9:00am ET. Dial-in: 855.219.9570; Passcode: 23684343.

NI 1Q15 Results Review:

Operating Income by Division	Actual 1Q15A	JEFe 1Q15E		Year-over-Year 1Q14A	
Gas Distribution	$305.8	$296.9	3.0%	$280.1	9.2%
Columbia Pipeline Group	$157.7	$153.0	3.1%	$141.4	11.5%
Electric Operations	$67.2	$75.6	-11.1%	$74.2	-9.4%
Corporate, Other, and Eliminations	($7.3)	($4.1)	NA	($4.1)	-78.0%
Total Operating Income	$523.4	$521.4	0.4%	$491.6	6.5%
Depreciation	($157.5)	($155.9)	1.0%	($148.7)	5.9%
Other Income / (Expenses)	$7.1	$5.6	27.4%	$4.5	57.8%
Interest Expense	($111.0)	($114.9)	-3.4%	($109.1)	1.7%
Minority Interest (Public LP in CPPL)	($6.9)	($6.5)	6.7%	NA	
Income Tax Benefit (Expense)	($147.7)	($148.1)	-0.2%	($139.3)	6.1%
Recurring Net Income	$264.9	$257.6	2.8%	$247.7	6.9%
Avg Diluted Shares Outstanding	317.4	317.8	-0.1%	315.1	0.7%
Earnings Per Diluted Share	$0.83	$0.81	2.9%	$0.79	6.1%
EBITDA ($MM)	$688	$683	0.7%	$645	6.7%
Capex & Affiliate Investments	$406	$459	-11.4%	$417	-2.6%

Source: NiSource reports & Jefferies estimates

Christopher Sighinolfi, CFA *
Equity Analyst
(212) 707-6420 csighino@jefferies.com
Christopher Tillett *
Equity Associate
(212) 284-4697 ctillett@jefferies.com
Corey Goldman *
Equity Associate
(212) 284-3411 cgoldma1@jefferies.com
* Jefferies LLC

Company Description

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4 million US customers. The Company operates through three segments: Gas Distribution, Columbia Pipeline Group, and Electric. The Gas Distribution operations provide natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. Columbia Pipeline Group offers gas transportation and storage services for Local distribution companies, marketers and industrial and commercial customers located in Northeastern, Mid-Atlantic, Midwestern and Southern states. The Electric Operations segment provides electric service in various counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

Analyst Certification:

I, Christopher Sighinolfi, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Christopher Tillett, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Corey Goldman, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

Meanings of Jefferies Ratings

Buy - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes stocks that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated stocks with an average stock price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated stocks with an average stock price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated stocks with an average stock price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/ or Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

Monitor - Describes stocks whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Jefferies Franchise Picks

Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

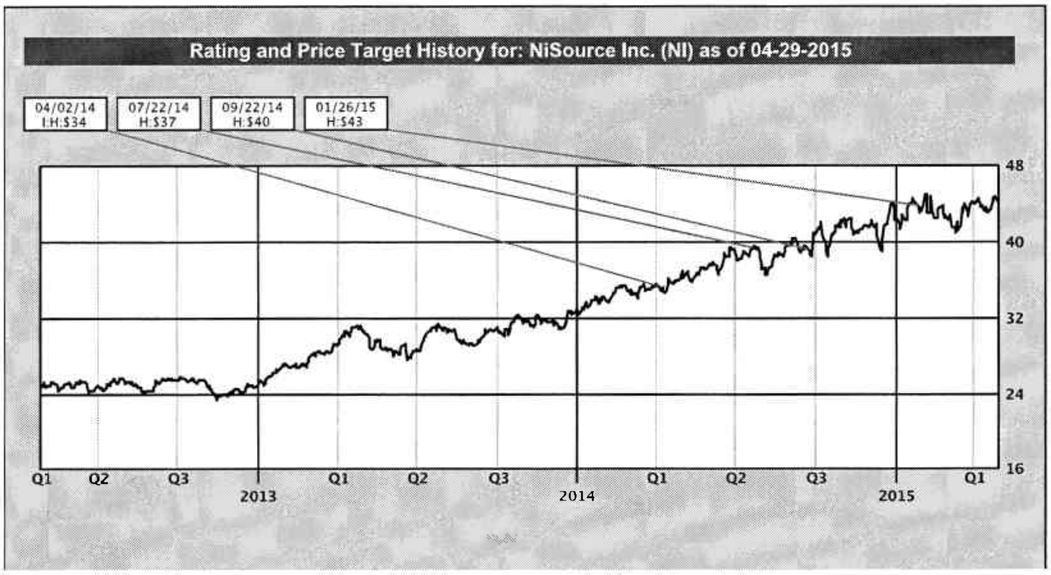
Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

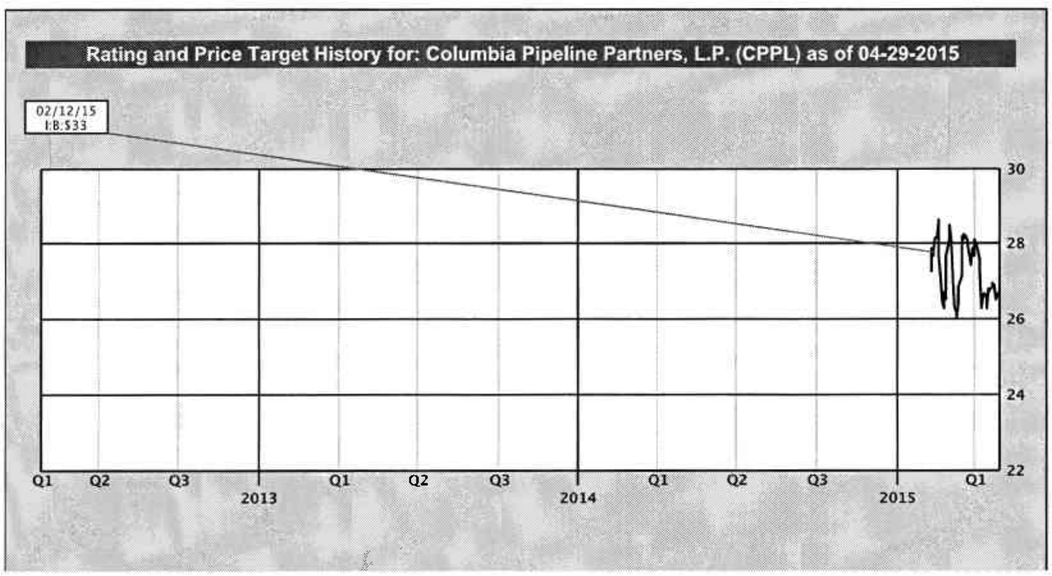
Risk which may impede the achievement of our Price Target

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.

Other Companies Mentioned in This Report

- Columbia Pipeline Partners, L.P. (CPPL: $26.80, BUY)





Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	1062	51.21%	290	27.31%
HOLD	843	40.65%	160	18.98%
UNDERPERFORM	169	8.15%	11	6.51%

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Other Important Disclosures

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC ("Jefferies") group companies:

United States: Jefferies LLC which is an SEC registered firm and a member of FINRA.

United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

India: Jefferies India Private Limited (CIN - U74140MH2007PTC200509), which is licensed by the Securities and Exchange Board of India as a Merchant Banker (INM000011443) and a Stock Broker with Bombay Stock Exchange Limited (INB011491033) and National Stock Exchange of India Limited (INB231491037) in the Capital Market Segment; located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051, India; Tel +91 22 4356 6000.

This material has been prepared by Jefferies employing appropriate expertise, and in the belief that it is fair and not misleading. The information set forth herein was obtained from sources believed to be reliable, but has not been independently verified by Jefferies. Therefore, except for any obligation under applicable rules we do not guarantee its accuracy. Additional and supporting information is available upon request. Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this material is distributed in the United States ("US"), by Jefferies LLC, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic Area this report is issued and/or approved for distribution by Jefferies International Limited and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed. Jefferies International Limited has adopted a conflicts management policy in connection with the preparation and publication of research, the details of which are available upon request in writing to the Compliance Officer. Jefferies International Limited may allow its analysts to undertake private consultancy work. Jefferies International Limited's conflicts management policy sets out the arrangements Jefferies International Limited employs to manage any potential conflicts of interest that may arise as a result of such consultancy work. For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, this material is provided by Jefferies Singapore Limited pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Cap. 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact Jefferies Singapore Limited, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the PRC. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India this report is made available by Jefferies India Private Limited. In Australia this information is issued solely by Jefferies International Limited and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies International Limited is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. Jefferies International Limited has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services licence under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, its associates or affiliates, and its respective officers, directors, and employees may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. Upon request Jefferies may provide specialized research products or services to certain customers focusing on the prospects for individual covered stocks as compared to other covered stocks over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, the analyst has a reasonable basis and any inconsistencies can be reasonably explained. This material does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange

rates could have adverse effects on the value or price of, or income derived from, certain investments. This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of securities. None of Jefferies, any of its affiliates or its research analysts has any authority whatsoever to make any representations or warranty on behalf of the issuer(s). Jefferies policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis. Any comments or statements made herein are those of the author(s) and may differ from the views of Jefferies.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Jefferies research reports are disseminated and available primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Jefferies. Neither Jefferies nor any officer nor employee of Jefferies accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

For Important Disclosure information, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 1.888.JEFFERIES

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

J.P.Morgan

NiSource and Columbia Pipeline

1Q15 Exceeds Estimates with Solid Results Across Segments; Focus on Spin Detail May 14th - ALERT

NiSource reported 1Q15 adjusted EPS of $0.85/share (includes $6.9mm of CPPL-related NCI or $0.02/share), above the $0.81/share Street median estimate with solid results at both Gas Transmission (CPG) and the Gas Distribution and Electric utility operations. Including predecessor interest prior to the IPO, Columbia Pipeline Partners (CPPL) achieved 1Q15 proportional JPM adjusted EBITDA of $29mm (excluding asset sales), above the $25mm JPMe.

- **CPG separation remains on track for July 1st; business update on May 14th.** The planned separation of NiSource and Columbia Pipeline Group (CPG) remains on track for July 1st; NiSource will present a business update related to the separation on May 14th. Post-separation, management has guided to 4-6% annual earnings and dividend growth at NiSource Utility RemainCo and mid- to high-teens dividend growth at CPG.
- **Advanced discussions on Mountaineer and Gulf Xpress, Midstream projects.** On April 23, CPG completed a binding open season for the Mountaineer Xpress project (up to 2.7bcf/d of firm takeaway on Columbia Gas Transmission), and the complementary Gulf Xpress project (up to ~900mmcf/d of firm volumes on Columbia Gulf Transmission). The two attractive projects could add ~$2.6bn in additional investments to the expansion backlog. CPG continues advanced commercial discussions with potential counterparties, and we will watch for additional details on the May 14th update. In addition, CPG noted advanced discussions for a Northeast PA Marcellus gathering project, with a potential $275-$300mm investment for up to ~1bcf of capacity.
- **Robust expansion project backlog progresses.** At the utility segments, NIPSCO's $265mm flue gas desulfurization (FGD) project remains on time and on budget to enter service by year-end, and NIPSCO began investments under the $2bn, 7-year natgas and electric modernization program. In total, we expect NiSource to make ~$1.3bn in 2015 utility investments, with ~$900mm in the gas distribution business. At CPG, the $275mm East Side expansion remains on track to enter service in 4Q15, and progress continues on other major expansion projects, which will add ~4bcf of new capacity commitments to CPG.
- **Successful 1Q15 IPO of CPPL.** NiSource closed successful IPO of CPPL on February 11, 2015, raising ~$1.2bn in an upsized ~53.8mm unit initial public offering at $23/unit, above the $19-21 filing range.

Energy MLPs

Jeremy Tonet, CFA [AC]
(1-212) 622-4915
jeremy.b.tonet@jpmorgan.com
Bloomberg JPMA TONET <GO>
J.P. Morgan Securities LLC

Christopher Neyor
(1-212) 622-0334
christopher.z.neyor@jpmorgan.com
J.P. Morgan Securities LLC

Andrew R Burd
(1-212) 622-2316
andrew.burd@jpmorgan.com
J.P. Morgan Securities LLC

Rahul Krotthapalli
(91-22) 6157-3307
rahul.krotthapalli@jpmorgan.com
J.P. Morgan India Private Limited

Gabriel J Daoud Jr., CPA
(1-212) 622-0654
gabriel.j.daoudjr@jpmorgan.com
J.P. Morgan Securities LLC

NI, NI US
Neutral
Price: $43.42

30 April 2015

CPPL, CPPL US
Overweight
Price: $27.05

30 April 2015

See page 2 for analyst certification and important disclosures, including non-US analyst disclosures.

Jeremy Tonet, CFA
(1-212) 622-4915
jeremy.b.tonet@jpmorgan.com

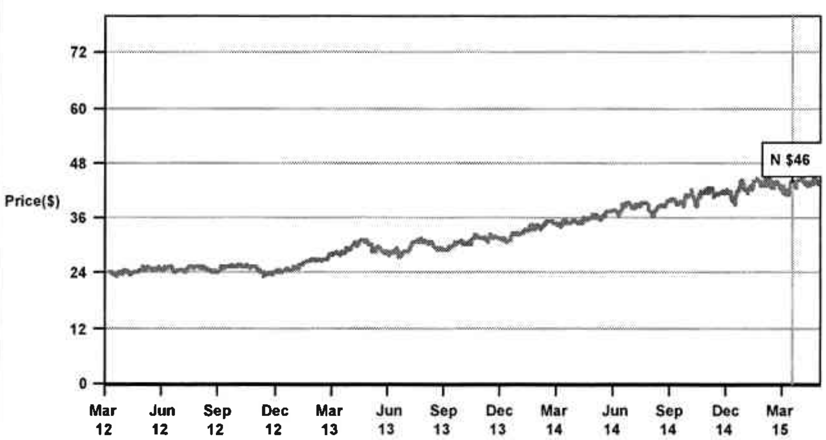
Analyst Certification: The research analyst(s) denoted by an "AC" on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an "AC" on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. For all Korea-based research analysts listed on the front cover, they also certify, as per KOFIA requirements, that their analysis was made in good faith and that the views reflect their own opinion, without undue influence or intervention.

Important Disclosures

- **Market Maker:** JPMS makes a market in the stock of NiSource Inc..
- **Lead or Co-manager:** J.P. Morgan acted as lead or co-manager in a public offering of equity and/or debt securities for Columbia Pipeline Partners LP within the past 12 months.
- **Client:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients: NiSource Inc., Columbia Pipeline Partners LP.
- **Client/Investment Banking:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as investment banking clients: NiSource Inc., Columbia Pipeline Partners LP.
- **Client/Non-Investment Banking, Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, securities-related: NiSource Inc..
- **Client/Non-Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-securities-related: NiSource Inc., Columbia Pipeline Partners LP.
- **Investment Banking (past 12 months):** J.P. Morgan received in the past 12 months compensation from investment banking NiSource Inc., Columbia Pipeline Partners LP.
- **Investment Banking (next 3 months):** J.P. Morgan expects to receive, or intends to seek, compensation for investment banking services in the next three months from NiSource Inc., Columbia Pipeline Partners LP.
- **Non-Investment Banking Compensation:** J.P. Morgan has received compensation in the past 12 months for products or services other than investment banking from NiSource Inc..

Company-Specific Disclosures: Important disclosures, including price charts and credit opinion history tables, are available for compendium reports and all J.P. Morgan–covered companies by visiting https://jpmm.com/research/disclosures, calling 1-800-477-0406, or e-mailing research.disclosure.inquiries@jpmorgan.com with your request. J.P. Morgan's Strategy, Technical, and Quantitative Research teams may screen companies not covered by J.P. Morgan. For important disclosures for these companies, please call 1-800-477-0406 or e-mail research.disclosure.inquiries@jpmorgan.com.

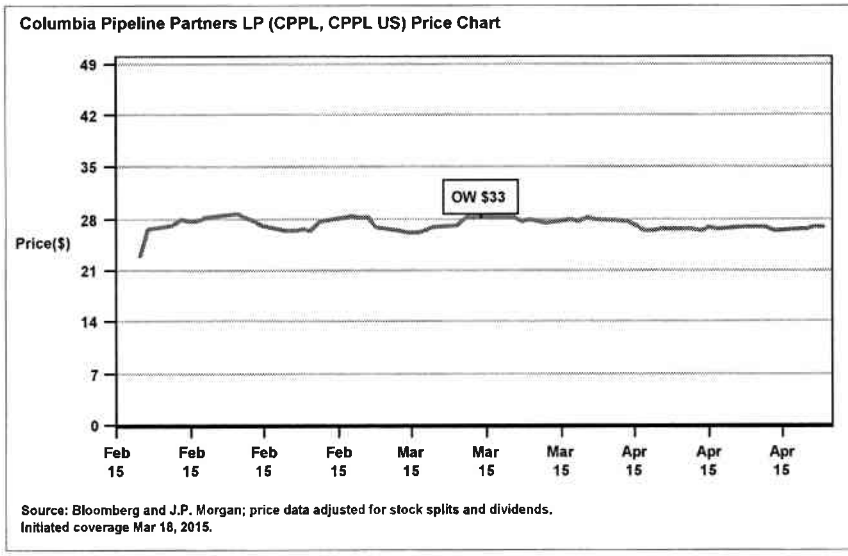
NiSource Inc. (NI, NI US) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
18-Mar-15	N	43.77	46.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Mar 18, 2015.

Jeremy Tonet, CFA
(1-212) 622-4915
jeremy.b.tonet@jpmorgan.com



Date	Rating	Share Price ($)	Price Target ($)
18-Mar-15	OW	28.24	33.00

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.
J.P. Morgan ratings or designations: OW = Overweight, N= Neutral, UW = Underweight, NR = Not Rated

Explanation of Equity Research Ratings, Designations and Analyst(s) Coverage Universe:
J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Not Rated (NR): J.P. Morgan has removed the rating and, if applicable, the price target, for this stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, no longer should be relied upon. An NR designation is not a recommendation or a rating. In our Asia (ex-Australia) and U.K. small- and mid-cap equity research, each stock's expected total return is compared to the expected total return of a benchmark country market index, not to those analysts' coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst's coverage universe can be found on J.P. Morgan's research website, www.jpmorganmarkets.com.

Coverage Universe: Tonet, Jeremy: AmeriGas Partners, L.P. (APU), Antero Midstream Partners LP (AM), Boardwalk Pipeline Partners, LP (BWP), Buckeye Partners, L.P. (BPL), CONE Midstream Partners LP (CNNX), CSI Compressco LP (CCLP), CVR Refining, LP (CVRR), Calumet Specialty Products Partners, L.P. (CLMT), CenterPoint Energy, Inc. (CNP), Columbia Pipeline Partners LP (CPPL), Crestwood Equity Partners LP (CEQP), Crestwood Midstream Partners LP (CMLP), DCP Midstream Partners, LP (DPM), Dominion Midstream Partners (DM), EQT Midstream Partners, LP (EQM), Enable Midstream Partners, LP (ENBL), Enbridge Energy Partners, L.P. (EEP), Energy Transfer Partners, L.P. (ETP), Enterprise Products Partners L.P. (EPD), Exterran Partners, L.P. (EXLP), Ferrellgas Partners, L.P. (FGP), Gibson Energy Inc. (GEI.TO), Global Partners LP (GLP), Kinder Morgan, Inc. (KMI), MPLX LP (MPLX), Macquarie Infrastructure Co LLC (MIC), Magellan Midstream Partners, L.P. (MMP), MarkWest Energy Partners, L.P. (MWE), Midcoast Energy Partners, L.P. (MEP), NiSource Inc. (NI), Northern Tier Energy LP (NTI), Nustar Energy L.P. (NS), ONEOK Partners, L.P. (OKS), Oneok, Inc. (OKE), Phillips 66 Partners LP (PSXP), Plains All American Pipeline, L.P. (PAA), Plains GP Holdings, L.P. (PAGP), QEP Midstream Partners, LP (QEPM), Regency Energy Partners LP (RGP), Southcross Energy Partners, L.P. (SXE), Spectra Energy Partners, LP (SEP), Sprague Resources LP (SRLP), Suburban Propane Partners, L.P. (SPH), Sunoco Logistics Partners LP (SXL), TC Pipelines, LP (TCP), Targa Resources Corp. (TRGP), Targa Resources Partners LP (NGLS), Tesoro Logistics LP (TLLP), The Williams Companies, Inc. (WMB), USA Compression Partners, LP (USAC), VTTI Energy Partners LP (VTTI), Valero Energy Partners, LP (VLP), Williams Partners L.P. (WPZ)

Jeremy Tonet, CFA
(1-212) 622-4915
jeremy.b.tonet@jpmorgan.com

J.P. Morgan Equity Research Ratings Distribution, as of March 31, 2015

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	43%	44%	13%
IB clients*	55%	49%	37%
JPMS Equity Research Coverage	44%	48%	9%
IB clients*	75%	68%	54%

*Percentage of investment banking clients in each rating category.
For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above.

Equity Valuation and Risks: For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at http://www.jpmorganmarkets.com, contact the primary analyst or your J.P. Morgan representative, or email research.disclosure.inquiries@jpmorgan.com.

Equity Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues.

Registration of non-US Analysts: Unless otherwise noted, the non-US analysts listed on the front of this report are employees of non-US affiliates of JPMS, are not registered/qualified as research analysts under NASD/NYSE rules, may not be associated persons of JPMS, and may not be subject to FINRA Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

All research reports made available to clients are simultaneously available on our client website, J.P. Morgan Markets. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research reports available on a particular stock, please contact your sales representative.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at http://www.optionsclearing.com/publications/risks/riskstoc.pdf

Legal Entities Disclosures
U.S.: JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC. **U.K.**: JPMorgan Chase N.A., London Branch, is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and to limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from J.P. Morgan on request. J.P. Morgan Securities plc (JPMS plc) is a member of the London Stock Exchange and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in England & Wales No. 2711006. Registered Office 25 Bank Street, London, E14 5JP. **South Africa**: J.P. Morgan Equities South Africa Proprietary Limited is a member of the Johannesburg Securities Exchange and is regulated by the Financial Services Board. **Hong Kong**: J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong and/or J.P. Morgan Broking (Hong Kong) Limited (CE number AAB027) is regulated by the Securities and Futures Commission in Hong Kong. **Korea**: J.P. Morgan Securities (Far East) Ltd, Seoul Branch, is regulated by the Korea Financial Supervisory Service. **Australia**: J.P. Morgan Australia Limited (JPMAL) (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (JPMSAL) (ABN 61 003 245 234/AFS Licence No: 238066) is regulated by ASIC and is a Market, Clearing and Settlement Participant of ASX Limited and CHI-X. **Taiwan**: J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited (Corporate Identity Number - U67120MH1992FTC068724), having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz - East, Mumbai – 400098, is a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI Registration Number - INB 010675237/INF 010675237) and is regulated by Securities and Exchange Board of India. Telephone: 91-22-6157 3000, Facsimile: 91-22-6157 3990 and Website: www.jpmipl.com. For non local research reports, this material is not distributed in India by J.P. Morgan India Private Limited. **Thailand**: This material is issued and distributed in Thailand by JPMorgan Securities (Thailand) Ltd., which is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission and its registered address is 3rd Floor, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500. **Indonesia**: PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the OJK a.k.a. BAPEPAM LK. **Philippines**: J.P. Morgan Securities Philippines Inc. is a Trading Participant of the Philippine Stock Exchange and a member of the Securities Clearing Corporation of the Philippines and the Securities Investor Protection Fund. It is regulated by the Securities and Exchange Commission. **Brazil**: Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico**: J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore**: This material is issued and distributed in Singapore by or through J.P. Morgan Securities Singapore Private Limited (JPMSS) [MCI (P) 100/03/2015 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the

Jeremy Tonet, CFA
(1-212) 622-4915
jeremy.b.tonet@jpmorgan.com

Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. This material is provided in Singapore only to accredited investors, expert investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289. Recipients of this document are to contact JPMSS or JPMCB Singapore in respect of any matters arising from, or in connection with, the document. **Japan**: JPMorgan Securities Japan Co., Ltd. is regulated by the Financial Services Agency in Japan. **Malaysia**: This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan**: J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia**: J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai**: JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

Country and Region Specific Disclosures
U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMS plc. Investment research issued by JPMS plc has been prepared in accordance with JPMS plc's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities plc, Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: http://www.hkex.com.hk. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan, Type II Financial Instruments Firms Association and Japan Investment Advisers Association. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul Branch. **Singapore:** JPMSS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **Taiwan**: This material is issued and distributed in Taiwan by J.P. Morgan Securities (Taiwan) Limited. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **Brazil**: Ombudsman J.P. Morgan: 0800-7700847 / ouvidoria.jp.morgan@jpmorgan.com.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised March 28, 2015.

Jeremy Tonet, CFA
(1-212) 622-4915
jeremy.b.tonet@jpmorgan.com

KeyBanc
Capital Markets

Quick Alert

April 30, 2015

ENERGY: Multi-Utilities

NYSE: NI

NiSource Inc. (Overweight)

NI - Quick Alert: 1Q15 Earnings Results Above Views

Paul T. Ridzon / (216) 689-0270 / pridzon@key.com
John Barta / (216) 689-3386 / john_j_barta@key.com

Key Investment Points

April 29, 2015 Close: $44.00
1Q15 Ongoing EPS: $0.85 vs. $0.82 in 1Q14/consensus of $0.82/KBCM of $0.84. NI excludes weather impacts from its non-GAAP number. Weather had an approximate $0.04 positive impact; ongoing earnings were $0.89 including weather.
Initial Take: We expect a neutral to positive response as earnings exceeded views.
2015 EPS Estimate: $1.80 (Consensus: $1.80)
2016 EPS Estimate: $1.98 (Consensus: $1.90)

Guidance: NiSource Inc. (NYSE: NI) is not providing full-year guidance (beyond projected long-term annual growth and 2015 capital investment rates) due to the pending separation of NISource and CPG. NI and CPG announced webcasts scheduled for May 14, to discuss respective outlooks, during which we expect guidance and dividend discussions.

1Q Highlights:

- NiSource Gas Distribution operating earnings were $306 million vs. $280 million. Net revenues rose $43 million, driven by increased regulatory and service programs, including new rates in Pennsylvania, Virginia and Massachusetts, as well as infrastructure trackers in Ohio. Expenses rose $17 million on employee, administrative and outside service costs.
- Columbia Pipeline Group reported operating earnings of $163 million vs. $159 million. Revenues were up $22 million due to higher demand margin revenue as a result of growth projects placed into service and new firm contracts partly offset by reduced mineral royalties. Expenses rose $23 million due to lower gains on mineral sales, employee costs and depreciation. Equity earnings increased by $6 million.
- Electric operations operating earnings were $67 million vs. $74 million. Revenues fell modestly on reduced off-system sales and lower industrial margins, offset by lower fuel handling costs and increased transmission revenue. Expenses increased $7 million on higher employee, administrative and environmental costs. Sales volumes fell 8.4%, driven by lower wholesale and industrial volumes.
- Corporate costs rose to $7 million vs. $4 million on employee costs.
- NI launched an open season on its Mountaineer Express pipeline project in late March.

9:00 a.m. ET Conference Call #: (855)-219-9570 ID#: 23684343

We will be focused on:

- Thoughts on growth rate.
- Incremental infrastructure investment opportunities.
- Any color on dividends post-separation.
- Update on demand for Mountaineer Express pipeline.

Disclosure Appendix

NiSource Inc. - NI

We have managed or co-managed a public offering of securities for NiSource Inc. within the past 12 months.

NiSource Inc. is an investment banking client of ours.

We have received compensation for investment banking services from NiSource Inc. during the past 12 months.

We expect to receive or intend to seek compensation for investment banking services from NiSource Inc. within the next three months.

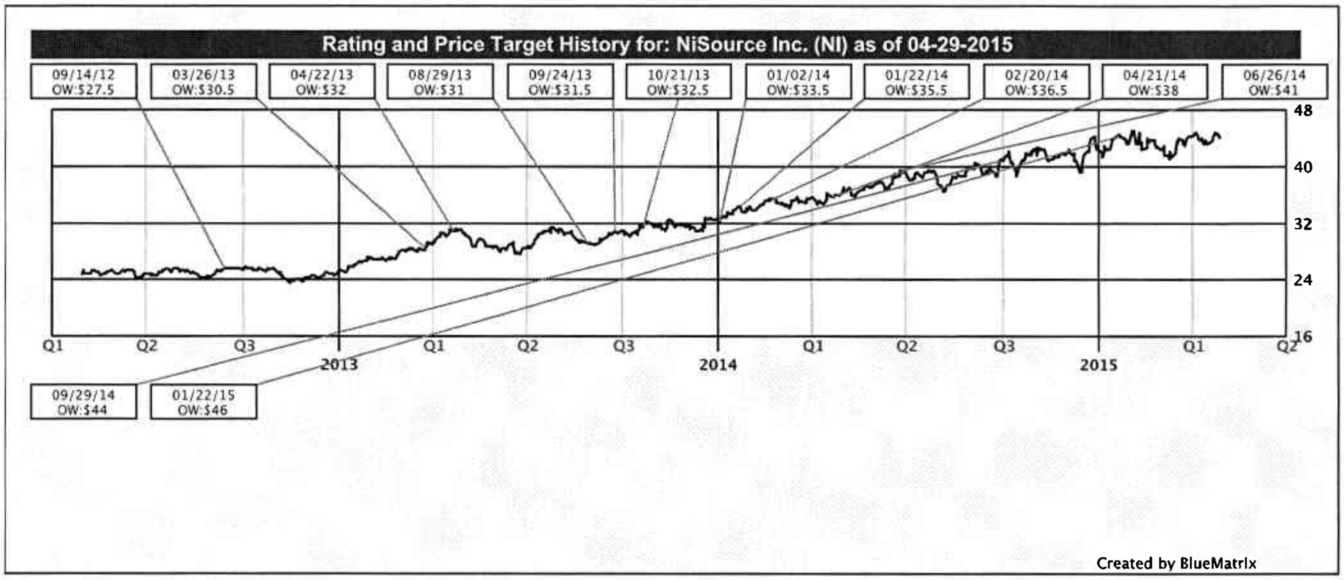
During the past 12 months, NiSource Inc. has been a client of the firm or its affiliates for non-securities related services.

As of the date of this report, we make a market in NiSource Inc..

Reg A/C Certification

The research analyst(s) responsible for the preparation of this research report certifies that:(1) all the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this research report.

Three-Year Rating and Price Target History



Rating Disclosures

Distribution of Ratings/IB Services
KeyBanc Capital Markets

			IB Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
Overweight [OW]	353	45.90	74	20.96
Sector Weight [SW]	394	51.24	79	20.05
Underweight [UW]	22	2.86	3	13.64

Disclosure Appendix (cont'd)

Rating System

Overweight - We expect the stock to outperform the analyst's coverage sector over the coming 6-12 months.

Sector Weight - We expect the stock to perform in line with the analyst's coverage sector over the coming 6-12 months.

Underweight - We expect the stock to underperform the analyst's coverage sector over the coming 6-12 months.

Note: KeyBanc Capital Markets changed its rating system after market close on February 27, 2015. The previous ratings were Buy, Hold and Underweight. Additionally, Pacific Crest Securities changed its rating system to match KeyBanc Capital Markets' rating system after market close on April 10, 2015, in conjunction with the merger of the broker dealers. The previous ratings were Outperform, Sector Perform and Underperform.

Other Disclosures

KeyBanc Capital Markets is a trade name under which corporate and investment banking products and services of KeyCorp and its subsidiaries, KeyBanc Capital Markets Inc., Member NYSE/FINRA/SIPC ("KBCMI"), and KeyBank National Association ("KeyBank N.A."), are marketed. Pacific Crest Securities is a division of KeyBanc Capital Markets Inc.

KeyBanc Capital Markets Inc. ("KBCMI") does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

This report has been prepared by KBCMI. The material contained herein is based on data from sources considered to be reliable; however, KBCMI does not guarantee or warrant the accuracy or completeness of the information. It is published for informational purposes only and should not be used as the primary basis of investment decisions. Neither the information nor any opinion expressed constitutes an offer, or the solicitation of an offer, to buy or sell any security. The opinions and estimates expressed reflect the current judgment of KBCMI and are subject to change without notice. This report may contain forward-looking statements, which involve risk and uncertainty. Actual results may differ significantly from the forward-looking statements. This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the specific needs of any person or entity.

No portion of an analyst's compensation is based on a specific banking transaction; however, part of his/her compensation may be based upon overall firm revenue and profitability, of which investment banking is a component. Individuals associated with KBCMI (other than the research analyst(s) listed on page 1 of this research report) may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by NASD Rule 2711(h)(1)(A), financial interest, if any, by any research analysts listed on page 1 of this report will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosure Appendix. KBCMI itself may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by NASD Rule 2711(h)(1)(B), if KBCMI beneficially owns 1% or more of any class of common equity securities of the subject company(ies) in this research report as of the end of the month immediately preceding the date of publication of this research report will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosures Appendix. This communication is intended solely for use by KBCMI clients. The recipient agrees not to forward or copy the information to any other person without the express written consent of KBCMI.

(216) 689-0270 / pridzon@key.com

NiSource Inc NI [NYSE] | ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
43.42 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

NiSource and Columbia Pipeline Group Separation Scheduled for July 1

Charles Fishman, CFA
Equity Analyst
charles.fishman@morningstar.com
312-696-6523

The primary analyst covering this company does not own its stock.

Research as of 01 May 2015
Estimates as of 20 Feb 2015
Pricing data through 30 Apr 2015
Rating updated as of 30 Apr 2015

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Analyst Note 01 May 2015

We are reaffirming our narrow moat, stable moat trend, and $44 per share fair value estimate after NiSource reported 2015 first-quarter operating earnings per share of $0.85 versus $0.82 in the same period last year. Returns on the company's capital investment program across all business segments drove the solid results, which higher employee and administrative costs partially offset.

We reiterate our 4%-6% post-separation long-term annual earnings and dividend growth targets for NiSource's utilities. Adjusted EBITDA growth for the Columbia Pipeline Group following the separation is projected to be mid-to-upper teens. NiSource and CPG will hold separate investor webcasts on May 14 to provide more detail on their individual growth plans. NiSource management indicated to us in a follow-up call that it was still undecided if 2015 earnings guidance would be provided at the NiSource webcast because of the companies' consolidated results in the first half of the year.

The NiSource-CPG separation is scheduled for July 1, with both companies trading independently on July 2. Upon separation, NiSource shareholders would retain their current shares of NiSource stock and receive one share of CPG stock for every share of NiSource common stock.

Vital Statistics

Market Cap (USD Mil)	13,730
52-Week High (USD)	45.25
52-Week Low (USD)	35.66
52-Week Total Return %	22.4
YTD Total Return %	3.6
Last Fiscal Year End	31 Dec 2013
5-Yr Forward Revenue CAGR %	7.1
5-Yr Forward EPS CAGR %	8.0
Price/Fair Value	0.99

Valuation Summary and Forecasts

Fiscal Year:	2012	2013	2014(E)	2015(E)
Price/Earnings	17.0	20.8	—	23.7
EV/EBITDA	11.9	13.7	—	11.4
EV/EBIT	18.4	20.8	—	16.8
Free Cash Flow Yield %	-2.3	-3.4	—	-4.0
Dividend Yield %	2.7	2.3	—	2.5

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2012	2013	2014(E)	2015(E)
Revenue	5,061	5,657	6,169	6,573
Revenue YoY %	-15.9	11.8	9.0	6.6
EBIT	1,039	1,126	1,294	1,413
EBIT YoY %	12.7	8.4	14.9	9.2
Net Income, Adjusted	437	494	542	589
Net Income YoY %	12.4	13.0	9.7	8.6
Diluted EPS	1.46	1.58	1.70	1.83
Diluted EPS YoY %	7.9	8.3	7.8	7.9
Free Cash Flow	71	-379	-148	-417
Free Cash Flow YoY %	339.3	-637.2	-61.0	182.0

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with 3.4 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. NiSource also owns nearly half of Columbia Pipeline Partners, a master limited partnership that owns gas transmission, underground natural gas storage systems, and provides unregulated midstream services in the growing Marcellus and Utica shale production area. NiSource's electric utility generates, transmits, and distributes electricity in northern Indiana.

NiSource Inc NI (NYSE) ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
43.42 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2011	2012	2013	*2014* (Forecast)	*2015* (Forecast)	*5-Year Proj. CAGR*
Revenue	*-4.1*	-6.3	-15.9	11.8	*9.0*	*6.6*	*7.1*
EBIT	*6.8*	-0.2	12.7	8.4	*14.9*	*9.2*	*10.4*
EBITDA	*3.9*	-4.0	9.6	6.4	*11.4*	*9.2*	*9.4*
Net Income	*13.2*	14.1	12.4	13.0	*9.7*	*8.6*	*9.4*
Diluted EPS	*9.0*	10.8	7.9	8.3	*7.8*	*7.9*	*8.0*
Earnings Before Interest, after Tax	*4.4*	10.4	4.1	-1.0	*18.4*	*5.4*	*8.7*
Free Cash Flow	*-237.7*	-88.9	339.3	-637.2	*-61.0*	*182.0*	—

Profitability	3-Year Hist. Avg	2011	2012	2013	*2014*	*2015*	*5-Year Proj. Avg*
Operating Margin %	*18.6*	15.3	20.5	19.9	*21.0*	*21.5*	*22.1*
EBITDA Margin %	*28.7*	24.3	31.6	30.1	*30.8*	*31.5*	*32.2*
Net Margin %	*7.9*	6.5	8.6	8.7	*8.8*	*9.0*	*9.2*
Free Cash Flow Margin %	*-1.7*	0.3	1.4	-6.7	*-2.4*	*-6.4*	*-3.4*
ROIC %	—	—	—	—	—	—	—
Adjusted ROIC %	*7.4*	6.9	7.9	7.5	*7.9*	*7.6*	*7.4*
Return on Assets %	*1.9*	1.5	2.0	2.4	*2.3*	*2.3*	*2.4*
Return on Equity %	*7.7*	6.0	7.9	9.3	*9.0*	*9.4*	*9.8*

Leverage	3-Year Hist. Avg	2011	2012	2013	*2014*	*2015*	*5-Year Proj. Avg*
Debt/Capital	*0.60*	0.61	0.59	0.60	*0.61*	*0.63*	*0.63*
Total Debt/EBITDA	*5.23*	5.45	5.06	5.19	*5.14*	*5.19*	*5.16*
EBITDA/Interest Expense	*3.94*	3.88	3.83	4.11	*4.08*	*4.04*	*4.04*

Valuation Summary and Forecasts

	2012	2013	*2014(E)*	*2015(E)*
Price/Fair Value	1.00	1.22	—	—
Price/Earnings	17.0	20.8	—	*23.7*
EV/EBITDA	11.9	13.7	—	*11.4*
EV/EBIT	18.4	20.8	—	*16.8*
Free Cash Flow Yield %	-2.3	-3.4	—	*-4.0*
Dividend Yield %	2.7	2.3	—	*2.5*

Key Valuation Drivers

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	5.8
Long-Run Tax Rate %	35.0
Stage II EBI Growth Rate %	6.0
Stage II Investment Rate %	85.7
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	-995	-4.5	-3.12
Present Value Stage II	1,664	7.6	5.21
Present Value Stage III	21,368	97.0	66.87
Total Firm Value	**22,036**	**100.0**	**68.97**
Cash and Equivalents	70	—	0.22
Debt	-8,834	—	-27.65
Preferred Stock	—	—	—
Other Adjustments	35	—	0.11
Equity Value	**13,307**	—	**41.65**
Projected Diluted Shares	320		
Fair Value per Share (USD)	—		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

NiSource Inc NI [NYSE] ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
43.42 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in December

				Forecast	
	2011	2012	2013	*2014*	*2015*
Revenue	**6,019**	**5,061**	**5,657**	***6,169***	***6,573***
Cost of Goods Sold	2,556	1,542	1,816	*2,044*	*2,129*
Gross Profit	**3,463**	**3,520**	**3,842**	***4,125***	***4,445***
Selling, General & Administrative Expenses	1,723	1,663	1,874	*1,976*	*2,115*
Other Operating Expense (Income)	295	288	301	*297*	*307*
Other Operating Expense (Income)	-15	-32	-36	*-45*	*-49*
Depreciation & Amortization (if reported separately)	538	562	577	*603*	*658*
Operating Income (ex charges)	**922**	**1,039**	**1,126**	***1,294***	***1,413***
Restructuring & Other Cash Charges	17	-4	-18	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**905**	**1,043**	**1,143**	***1,294***	***1,413***
Interest Expense	377	418	415	*465*	*513*
Interest Income	-61	2	24	*5*	*5*
Pre-Tax Income	**467**	**626**	**753**	***834***	***906***
Income Tax Expense	163	216	262	*292*	*317*
Other After-Tax Cash Gains (Losses)	-5	6	6	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	35	—	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**299**	**416**	**532**	***542***	***589***
Weighted Average Diluted Shares Outstanding	289	300	314	*319*	*321*
Diluted Earnings Per Share	**1.03**	**1.39**	**1.70**	***1.70***	***1.83***
Adjusted Net Income	389	437	494	*542*	*589*
Diluted Earnings Per Share (Adjusted)	**1.35**	**1.46**	**1.58**	***1.70***	***1.83***
Dividends Per Common Share	0.92	0.94	0.98	*1.02*	*1.06*
EBITDA	**1,443**	**1,605**	**1,721**	***1,897***	***2,071***
Adjusted EBITDA	**1,460**	**1,601**	**1,703**	***1,897***	***2,071***

NiSource Inc NI (NYSE) | ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
43.42 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2011	2012	2013	Forecast 2014	Forecast 2015
Cash and Equivalents	172	83	35	*209*	*151*
Investments	—	—	—	—	—
Accounts Receivable	855	907	1,006	*1,099*	*1,171*
Inventory	566	496	500	*560*	*583*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	655	866	618	*750*	*750*
Current Assets	**2,248**	**2,352**	**2,159**	***2,617***	***2,655***
Net Property Plant, and Equipment	11,800	12,916	14,365	*15,843*	*17,310*
Goodwill	3,677	3,677	3,666	*3,666*	*3,666*
Other Intangibles	298	287	276	*276*	*276*
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,685	2,613	2,188	*2,561*	*2,689*
Long-Term Non-Operating Assets	—	—	—	—	—
Total Assets	**20,708**	**21,845**	**22,654**	***24,963***	***26,595***
Accounts Payable	435	539	619	*697*	*726*
Short-Term Debt	1,687	1,284	1,241	*1,250*	*1,250*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,525	1,479	1,319	*1,500*	*1,500*
Current Liabilities	**3,646**	**3,302**	**3,178**	***3,447***	***3,476***
Long-Term Debt	6,267	6,819	7,593	*8,500*	*9,500*
Deferred Tax Liabilities (Long-Term)	2,542	2,953	3,278	*3,632*	*3,972*
Other Long-Term Operating Liabilities	3,256	3,216	2,718	*3,252*	*3,236*
Long-Term Non-Operating Liabilities	—	—	—	—	—
Total Liabilities	**15,711**	**16,290**	**16,767**	***18,830***	***20,184***
Preferred Stock	—	—	—	—	—
Common Stock	3	3	3	*3*	*3*
Additional Paid-in Capital	4,168	4,598	4,690	*4,725*	*4,760*
Retained Earnings (Deficit)	917	1,060	1,286	*1,502*	*1,750*
(Treasury Stock)	-31	-41	-49	*-49*	*-49*
Other Equity	-60	-66	-44	*-49*	*-54*
Shareholder's Equity	**4,997**	**5,554**	**5,887**	***6,133***	***6,411***
Minority Interest	—	—	—	—	—
Total Equity	**4,997**	**5,554**	**5,887**	***6,133***	***6,411***

NiSource Inc NI [NYSE] ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
43.42 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

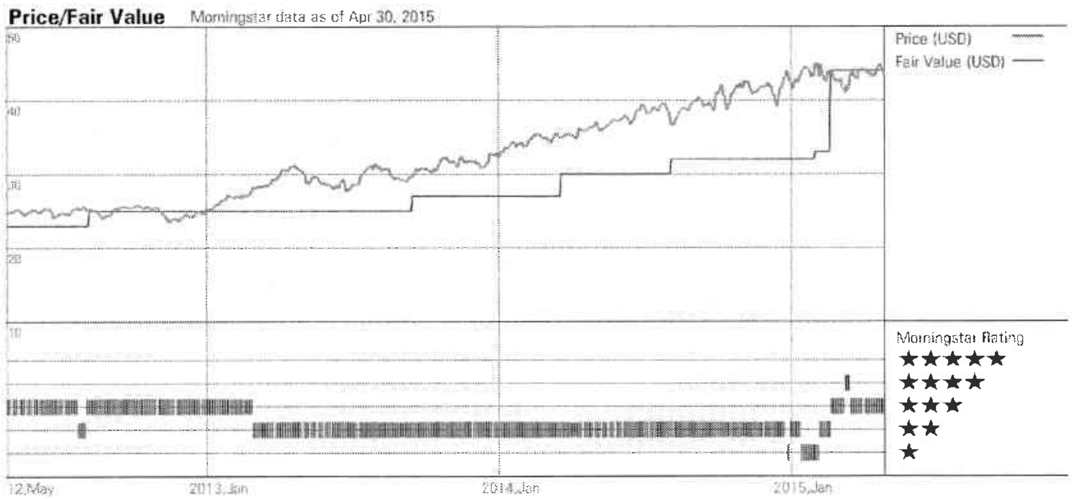
Morningstar Analyst Forecasts

Cash Flow (USD Mil)

Fiscal Year Ends in December	2011	2012	2013	*Forecast 2014*	*Forecast 2015*
Net Income	299	416	532	*542*	*589*
Depreciation	538	562	577	*603*	*658*
Amortization	—	—	—	—	—
Stock-Based Compensation	39	45	51	*49*	*53*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	178	305	287	*354*	*340*
Other Non-Cash Adjustments	217	25	-65	—	—
(Increase) Decrease in Accounts Receivable	220	-51	-95	*-93*	*-72*
(Increase) Decrease in Inventory	-142	62	-9	*-60*	*-23*
Change in Other Short-Term Assets	-274	-157	81	*-132*	—
Increase (Decrease) in Accounts Payable	-155	57	68	*78*	*29*
Change in Other Short-Term Liabilities	—	—	—	*181*	—
Cash From Operations	**920**	**1,264**	**1,427**	***1,523***	***1,574***
(Capital Expenditures)	-1,125	-1,499	-1,880	*-2,081*	*-2,125*
Net (Acquisitions), Asset Sales, and Disposals	9	26	18	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-34	51	-148	*160*	*-143*
Cash From Investing	**-1,149**	**-1,422**	**-2,010**	***-1,921***	***-2,268***
Common Stock Issuance (or Repurchase)	21	374	36	*35*	*35*
Common Stock (Dividends)	-258	-273	-306	*-326*	*-341*
Short-Term Debt Issuance (or Retirement)	-23	-582	-78	*9*	—
Long-Term Debt Issuance (or Retirement)	541	656	794	*907*	*1,000*
Other Financing Cash Flows	—	—	—	*-49*	*-53*
Cash From Financing	**281**	**175**	**445**	***576***	***641***
Exchange Rates, Discontinued Ops, etc. (net)	-50	8	129	*-5*	*-5*
Net Change in Cash	**2**	**25**	**-10**	***174***	***-58***

NiSource Inc NI (NYSE) ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
43.42 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated



The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic value.

Five-star stocks sell for the biggest risk-adjusted discount whereas one-star stocks trade at premiums to their intrinsic value. Based on a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's Equity Analysts, four key components drive the Morningstar Rating: 1. Assessment of the firm's economic moat, 2. Estimate of the stock's fair value, 3. Uncertainty around that fair value estimate and 4. Current market price. Further information on Morningstar's methodology is available from http://global.morningstar.com/equitydisclosures.

This Research Report is current as of the date on the report until it is replaced, updated or withdrawn. This report may be withdrawn or changed at any time as other information becomes available to us. This report will be updated if events affecting the report materially change.

Conflicts of Interest:

-No material interests are held by Morningstar or the Equity Analyst in the financial products that are the subject of the research reports or the product.

-Equity Analysts are required to comply with the CFA Institute's Code of Ethics and Standards of Professional Conduct.

-Equity Analysts' compensation is derived from Morningstar's overall earning and consists of salary, bonus and in some cases restricted stock.

-Equity Analysts do not influence Morningstar's investment management group's business arrangements nor allow employees from the investment management group to participate or influence the analysis or opinion prepared by them. Morningstar will not receive any direct benefit from the publication of this report. Morningstar does not receive commissions for providing research and does not charge companies to be rated.

-Equity Analysts use publicly available information.

NiSource Inc NI (NYSE) | ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
43.42 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

-Morningstar may provide the product issuer or its related entities with services or products for a fee and on an arms length basis including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship and website advertising.

-Further information on Morningstar's conflict of interest policies is available from http://global.morningstar.com/equitydisclosures.

If you wish to obtain further information regarding previous research reports and recommendations and our services, please contact your local Morningstar office.

Unless otherwise provided in a separate agreement, you may use this report only in the country in which its distributor is based.

Unless stated otherwise, the original distributor of this document is Morningstar Inc. The information contained herein is not represented or warranted to be accurate, correct, complete, or timely. This report is for information purposes only, and should not be considered a solicitation to buy or sell any security. Redistribution is prohibited without permission.

For Recipients in Hong Kong: The research is prepared and issued by Morningstar Investment Management Asia Limited, which is regulated by the Hong Kong Securities and Futures Commission to provide investment research, non-discretionary investment consulting services, and discretionary investment management services to professional investors only. Neither Morningstar Investment Management Asia Limited, nor its representatives, are acting or will be deemed to be acting as an investment manager or advisor to any recipients of this information unless expressly agreed to by Morningstar Investment Management Asia Limited. For enquiries regarding this information, please contact a Morningstar Investment Management Asia Limited Licensed Representative at http://global.morningstar.com/equitydisclosures.

For Recipients in India: Research on securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 ("Investment Research") is prepared by Morningstar Investment Adviser India Private Limited, which is registered with the Securities and Exchange Board of India. Investment Research is intended for educational purposes only; it is not intended to be an offer, solicitation, or call-to-action for the purchase or sale of a security. You should seek the advice of a financial professional before making an investment decision to ensure, among other things, that the security is suitable based on your particular needs and circumstances.

WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Underweight
Integrateds – Market Weight
IPPs – Market Overweight

April 30, 2015

NISOURCE INC.

(NI US Equity – $ 43.42 – Outperform)

Breaking up is easy to do

- **Momentum heading into corporate split**
  NiSource had a strong start to the year, with Q1 beating consensus and several positive catalysts leading into the split. NI clearly has one of the best growth stories in the pipeline space coupled with an MLP's cost of capital advantages and a utility with above-average growth potential and balanced regulatory jurisdictions. We still see meaningful upside for NI and reiterate our Outperform.

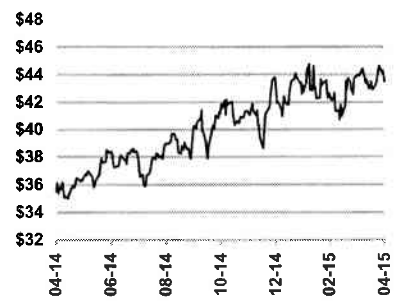
- **A lot of detail coming on May 14; yield concerns overstated**
  There were not a lot of major new updates on the call. Instead, management will hold two conference calls on 5/14 to review the baseline financials and outlooks for both the utility and pipeline companies in front of the July 1 split. The Columbia picture will garner the most attention, with management expected to give a long term view of the EBITDA growth potential as well as the dividend. While we have heard some concerns that the yield of CPGX might be loo low at the outset, we believe these fears are overstated given its growth potential.

- **Mountainteer close to a final decision, another project in the wings**
  Management indicated that shipper commitments for the $2.6B Mountaineer Xpress project had reached critical mass and it seems just a matter of time before it goes into execution. The company also indicated it is in the early stages of a project in southwest PA that would be about $250M in size.

- **Adjusting estimates modestly on CPGX financing; TP to $50**
  While our overall numbers are unchanged we are revising our segment earnings to account for the updated data on financial structure. CPGX will start out with $2.75B of debt, down from the $3B we had been assuming. This leads to about $0.08/sh of higher EPS at the pipeline segment but an additional $0.08/sh of drag at the utility. Trimming PT to $50 on lower utility multiples.

Trading and Fundamental Data	
Target Price	**$ 50**
Current Price	$ 43.42
52 Week Range	$ 36 - $ 45
Market Cap. ($MM)	$ 13,781
Share Out. (MM)	317.4
Dividend Yield	2.46%
Dividend Payout Ratio	61.2%
ROE	8.3%
Debt to Cap	61.8%
Avg Daily Vol (ooo)	1,689

Price Performance	YTD	LTM
NI US Equity	2%	20%
Utility Index	-7%	2%
S&P 500	1%	11%



Source: Bloomberg/Wolfe Research

Key Changes		
Year	New	Old
Target Price	$50	$51

Estimates / Valuation				
(US$)	2015E	2016E	2017E	2018E
EPS	$1.85	$1.98	$2.22	$2.47
Consensus	$1.81	$1.89	$2.00	$2.36
P/E	23.5x	21.9x	19.6x	17.6x
Dividend Per Share	$1.07	$1.16	$1.27	$1.38
Dividend Yield	2.5%	2.7%	2.9%	3.2%

Steven Fleishman
(646) 582-9241
SFleishman@WolfeResearch.com

Alex Kania
(646) 582-9244
AKania@WolfeResearch.com

WOLFE RESEARCH

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2015E	2016E	2017E	2018E
EPS	$1.85	$1.98	$2.22	$2.47
Diluted Shares Outstanding	318	325	329	330
Dividends Per Share	$1.07	$1.16	$1.27	$1.38
Dividend Yield	2.5%	2.7%	2.9%	3.2%
Dividend Payout Ratio	58%	59%	57%	56%
Equity Ratio	39%	38%	37%	37%
FFO/Net Debt	13%	13%	13%	13%
Valuation Metrics				
P/E	23.5x	21.9x	19.6x	17.6x
Price/Book	2.0x	1.8x	1.7x	1.6x
Segment EPS				
Gas Distribution	$0.89	$0.93	$0.99	$1.05
Transmission & Storage	0.81	0.90	1.09	1.26
Electric	0.46	0.48	0.51	0.54
Parent & Other	(0.32)	(0.34)	(0.37)	(0.38)
Total EPS	**$1.85**	**$1.98**	**$2.22**	**$2.47**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2015E	2016E	2017E	2018E
Total Capital Spending by Segment ($M)				
Gas Distribution	$790	$760	$730	$730
Transmission & Storage	1,255	1,542	1,474	699
Electric	593	593	593	593
Parent	50	50	50	50
Total Capex	**$2,688**	**$2,945**	**$2,847**	**$2,072**
Financings ($M)				
Total Equity Issued/(Repurchased)	$300	$275	$45	$45
Total Debt Issued/(Repurchased)	$1,180	$1,448	$1,338	$515

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates three separate business lines: electric utility, gas distribution, and midstream natural gas. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.4 million customers in Ohio, Pennsylvania, Kentucky, Virginia, and Massachusetts. Finally, the midstream segment, Columbia Pipeline Group, operates 15,000 miles of interstate gas pipelines and has a large set of storage assets across its footprint.

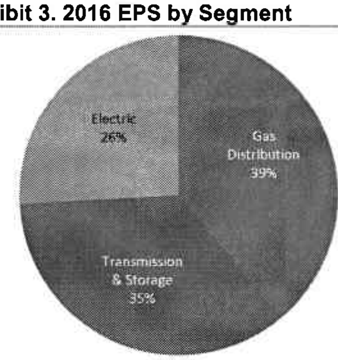
Investment Thesis

We believe that the significant investment opportunities in the midstream space will serve to boost NI's long term growth rate higher over the next five years, up from the current 5%-7%. We see up to $10B of known investment opportunities in the gas infrastructure segment over the next five years with a substantial likelihood of upside, plus the cost of capital benefits of forming an MLP.

Valuation

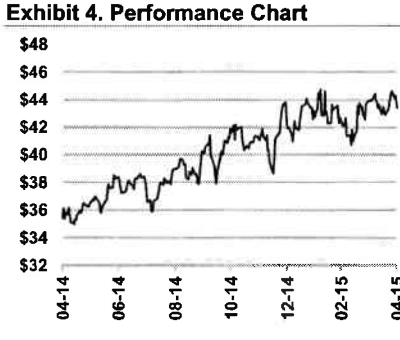
Our $50 price target is from our sum of parts valuation. We apply a 16x multiple to 2017E electric utility earnings and a 17x multiple to 2017E gas distribution earnings, and 17x parent drag. We value midstream on an MLP basis targeting a 5% yield. Downside risks for NiSource are execution on project development, economic conditions and long-term performance of an MLP. Upside risks are additional growth projects in midstream.

Exhibit 3. 2016 EPS by Segment



Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart



Source: Bloomberg

Investment thesis

NiSource remains one of our favorite natural gas infrastructure plays. The company combines high-growth electric and gas utilities in balanced regulatory environments with one of the highest growth natural gas midstream businesses in the space. We see each segment as highly attractive individually, and see increased interest from both investors and even strategic players. Moreover, the MLP gives the pipeline segment a low cost of capital to help fund the sizable growth investment backlog. Finally, the coming split should be a value upside catalyst. Reiterate Outperform.

Reallocating segment estimates; TP to $50 on utility multiples

Based on the disclosure on the conference call that the targeted debt level at Columbia will be around $2.75B rather than $3B previously, we are adjusting our segment estimates to reflect about $0.08/sh of lower earnings at the utility + parent and $0.08/sh of higher earnings at the pipeline operation. We now estimate 2015 utility + parent EPS in the $1.04 range, and the pipeline at about $0.81/sh (EBITDA is about $690M). Our overall estimates are not changed, and we expect more details on the 5/14 conference calls. Finally, we are reducing our target price to $50 from $51 to account for a lower target utility multiple – we are now using a 16x multiple on electric utility earnings (vs. 16.5x) to account for lower sector averages. The lower valuation on the utility plus more drag at the parent from the debt reallocation is partially offset by higher distributable cash flow from the pipeline business from lower interest.

The yield dilemma: concerns overstated

The biggest bear case argument we hear on the stock is the Columbia Pipeline dividend. NI's current annualized dividend is $1.04/sh. At an average 65% payout ratio, the utility's dividend would be about $0.65/sh. Assuming no change to the overall dividend, this would imply a pipeline dividend of about $0.50/sh. Our fair value of the pipeline business is about $30 per share, putting the yield at 1.7%. This is roughly half of the average of comparable gas pipeline C-corps/GPs. The bear argument is that CPGX's yield should be closer to the average, implying $10+ downside relative to our estimate of value. We believe this is incorrect for a few key reasons:

- **CPGX will have by far the highest growth potential in the space; investors willing to pay for it**. Columbia is set to triple in size over the next 5 years, with EBITDA growth in the mid to high teens. This is more than twice the level of EBITDA growth of the other C-corps, with a high degree of certainty. Clearly with this amount of potential upside it is more efficient to reinvest cash flow into the business than pay out the dividend. Much like high-growth vs. low-growth MLPs we believe investors will be willing to pay for yield + growth, not just yield. We note that NI's MLP, CPPL, trades at a sub-2% yield given its high-growth outlook.

- **Distributable cash is a better measure than yield.** CPGX's peers have a significantly different payout policy than Columbia will, given their maturity and lower top-line growth profiles. The comps tend to pay out 1x-1.1x distributable cash; we estimate CPGX's coverage could be closer to 3x at the current dividend. For that reason, we believe that investors should look out to the dividend potential of Columbia long term rather than the actual payout. On a price per distributable cash flow basis, CPGX at our value target trades in line with the average.

- **Valuation on other metrics would be disconnected on a higher yield**. If CPGX were to trade at a 3% yield at the outset, then the enterprise value would be close to $8B. Assuming 2 years of 15% EBITDA growth off a $600M base in 2014, CPGX would be trading at a 10x EBITDA multiple, while the comps appear to trade closer to 13.5x. The discount would grow wider going forward given Columbia's growth picture.

Highlights from the conference call

- **Conference calls on May 14 will outline the outlooks post-split**. The company announced that it will hold two conference calls on May 14 – one for Columbia, one for utility-only NiSource – to discuss the earnings and dividend baselines as well as the growth outlooks for the individual business lines. These will be clearly important disclosures, particularly on the Columbia side. Management indicated on the call that it will present a long term outlook of its financial picture and offer a set of comparables.

- **More detail on the split: 7/1 on track; less debt going to the pipeline.** As noted above NI will be holding calls on 5/14 to give an in-depth review of the separate outlooks post-split, but there were some incremental data points on the call. First, management indicated that the debt layer at Columbia will be closer to $2.75B rather than the $3B previously indicated – this will boost the earnings at the pipeline vs. the utility company. It will also help the credit picture of Columbia as it embarks on the growing capital spending plan; the level of parent leverage has been somewhat of a concern in the near term. Second, we now know the share count of CPGX - management indicated that the split would be executed by distributing 1 share of CPGX for each share of NI.

- **Mountaineer coming close to final, and another project hinted at**. Management noted that a critical mass of shippers have committed to the Mountaineer Xpress pipeline project. While NI was not willing to officially move it into the execution phase yet, it appears highly likely that will happen in the next couple months. The project is about $2.5B and will go into service in late 2018. Additionally, the company hinted at another pipeline project that is under early development in southwest PA – the size would be around $250M and could carry up to 1 Bcf/d.

- **Electric retail sales a little light**. Weather-normalized electric sales (excluding wholesale) were down 4% in the quarter. Much of this was due to a decline in industrial sales – we will be closely monitoring sales over time.

- **Still confident in Indiana tracker after court order**. Last month the Indiana Supreme Court remanded in part NIPSCO's infrastructure filing on a lack of specificity on the details of the spending over the next few years. The company is working on re-filing the application with more project-level detail and remains confident that the tracker will be put back in place.

- **Q1 a beat**. NiSource reported Q1 operating EPS of $0.85 vs. $0.82 last year, ahead of our $0.83 estimate and the $0.80 consensus. Operating income at the LDC rose $26M on rate relief and increased tracked investment levels, partially offset by higher operating costs. The electric utility's operating income fell $7M on higher operating costs and lower off system sales margin. The pipeline's operating income rose $4M on higher rates and investment offset by O&M and lower mineral royalties.

WOLFE RESEARCH

NiSource Inc.

April 30, 2015

Exhibit 5: NiSource sum of parts valuation

Regulated Operations	**Valuation Metric**	**Estimate - 2017**	**Valuation Multiple**	**$MM Value**
Electric Utility	P/E	166	16.0	2,659
Gas Distribution	P/E	326	17.0	5,535
Parent Drag	P/E	(122)	17.0	(2,068)
Equity Value of Utility				**6,126**
per share				*$19*

MLP Valuation	**2019E**		
LP Stake			
Total LP Distributions	451		
Less Taxes on Distributions	(99)	Assume 20% tax rate	
Net After Tax Distributions	352		
Target Equity Yield	5.00%		
Equity Value of MLP LP	**5,908**	Discounted back 3 years	
per share	$19		
GP Stake			
Total GP Distributions	292		
Less Taxes on Distributions	(102)	Assume 35% tax rate	
Net After Tax Distributions	190		
Target Equity Yield of GP	4.00%		
Equity Value of MLP GP	**3,989**	Discounted back 3 years	
per share	$13		
Total Equity Value of MLP to NiSource			**9,897**
per share			*$31*
NiSource Equity Value			**$16,023**
Fully Diluted Outstanding Shares			317.5
NI Equity Value per Share			**$50**

Source: Wolfe Research

DISCLOSURE SECTION

Analyst Certification:

The analyst of Wolfe Research, LLC primarily responsible for this research report whose name appears first on the front page of this research report hereby certifies that (i) the recommendations and opinions expressed in this research report accurately reflect the research analysts' personal views about the subject securities or issuers and (ii) no part of the research analysts' compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this report.

Important Disclosures:

Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NI US Equity	Sum of parts: P/E on utility, EV/EBITDA on midstream

Wolfe Research, LLC Fundamental Target Price Risks:

Company:	Fundamental Target Price Risks:
NI US Equity	Economy, regulatory outcomes, project execution

Wolfe Research, LLC Research Disclosures:

Company:	Research Disclosures:
NI US Equity	None

Other Disclosures:

Wolfe Research, LLC Fundamental Stock Ratings Key:

Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.
Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
Underperform (UP):	The security is projected to underperform analyst's industry coverage universe over the next 12 months.

Wolfe Research, LLC uses a relative rating system using terms such as Outperform, Peer Perform and Underperform (see definitions above). Please carefully read the definitions of all ratings used in Wolfe Research, LLC research. In addition, since Wolfe Research, LLC research contains more complete information concerning the analyst's views, please carefully read Wolfe Research, LLC research in its entirety and not infer the contents from the ratings alone. In all cases, ratings (or research) should not be used or relied upon as investment advice and any investment decisions should be based upon individual circumstances and other considerations.

Wolfe Research, LLC Sector Weighting System:

Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

Wolfe Research, LLC Distribution of Fundamental Stock Ratings (As of March 31, 2015):

Outperform:	42%	1% Investment Banking Clients
Peer Perform:	49%	1% Investment Banking Clients
Underperform:	9%	0% Investment Banking Clients

Wolfe Research, LLC does not assign ratings of Buy, Hold or Sell to the stocks it covers. Outperform, Peer Perform and Underperform are not the respective equivalents of Buy, Hold and Sell but represent relative weightings as defined above. To satisfy regulatory requirements, Outperform has been designated to correspond with Buy, Peer Perform has been designated to correspond with Hold and Underperform has been designated to correspond with Sell.

Wolfe Research Securities and Wolfe Research, LLC have adopted the use of Wolfe Research as brand names. Wolfe Research Securities, a member of FINRA (www.finra.org) is the broker-dealer affiliate of Wolfe Research, LLC and is responsible for the contents of this material. Any analysts publishing these reports are dually employed by Wolfe Research, LLC and Wolfe Research Securities.

The content of this report is to be used solely for informational purposes and should not be regarded as an offer, or a solicitation of an offer, to buy or sell a security, financial instrument or service discussed herein. Opinions in this communication constitute the current judgment of the author as of the date and time of this report and are subject to change without notice. Information herein is believed to be reliable but Wolfe Research and its affiliates, including but not limited to Wolfe Research Securities, makes no representation that it is complete or accurate. The information provided in this communication is not designed to replace a recipient's own decision-making processes for assessing a proposed transaction or investment involving a financial instrument discussed herein. Recipients are encouraged to seek financial advice from their financial advisor regarding the appropriateness of investing in a security or financial instrument referred to in this report and should understand that statements regarding the future performance of the financial instruments or the securities referenced herein may not be realized. Past performance is not indicative of future results. This report is not intended for distribution to, or use by, any person or entity in any location where such distribution or use would be contrary to applicable law, or which would subject Wolfe Research, LLC or any affiliate to any registration requirement within such location. For additional important disclosures, please see www.WolfeResearch.com/Disclosures.

The views expressed in Wolfe Research, LLC research reports with regards to sectors and/or specific companies may from time to time be inconsistent with the views implied by inclusion of those sectors and companies in other Wolfe Research, LLC analysts' research reports and modeling screens. Wolfe Research communicates with clients across a variety of mediums of the clients' choosing including emails, voice blasts and electronic publication to our proprietary website.

This report is limited for the sole use of clients of Wolfe Research. Authorized users have received an encryption decoder which legislates and monitors the access to Wolfe Research, LLC content. Any distribution of the content produced by Wolfe Research, LLC will violate the understanding of the terms of our relationship.

BARCLAYS

Equity Research | Instant Insights
3 August 2015

Daniel Ford, CFA + 1 212 526 0836 daniel.x.ford@barclays.com BCI, US
William Zhang +1 212 526 6203 william.zhang@barclays.com BCI, US

View email in browser

NiSource, Inc.
Q2 EPS $0.18; Results Reflect One-Time Pre-Separation Costs

Stock Rating/Industry View: Equal Weight/Neutral
Price Target: USD 17.00
Price (31-Jul-2015): USD 17.46
Potential Upside/Downside: -3%
Tickers: NI

Q2 Operating EPS of $0.18 versus $0.21 consensus

Pre-separation costs. Columbia Pipeline Group issued $2.75bn of debt in May in anticipation of the separation to fund a one-time dividend to NiSource classic. The additional interest was partly offset by the subsequent tender offer of NiSource debt using the funds. Additionally, the company was double-staffed in certain corporate functions for 4-6 weeks prior to the separation on July 1, which created additional O&M pressure.

Gas distribution rate relief offset by higher O&M. Y/y drivers included rate relief in Pennsylvania and Virginia, as well as Ohio's infrastructure replacement program. These were offset by higher O&M, depreciation, and property tax.

Midstream results. Net revenues were driven by lower mineral rights royalties, higher O&M, and depreciation. These were partly offset by new growth projects and pipeline capacity contracts.

Items of Discussion

$6.7B of long-term debt post-separation. NI announced its debt was reduced to $6.7B post-separation, at a weighted average coupon rate of 5.86%. The amount of the debt load was consistent with the company's commentary prior to the separation. The company also has $2B in net available liquidity including a $1.5B 5-year committed credit facility.

Columbia Gas of Massachusetts rate settlement. The company reached a settlement in principle with the Massachusetts Attorney General in its rate case filed on April 16. The company expects to file the settlement for approval with the Massachusetts DPU later in August.

Weak industrial sales. Deteriorating industrial load appears to be recurring theme this quarter among a number of Midwestern utilities. For NIPSCO Electric this was attributable to weak usage from steel customers. During the call, management indicated that the softness could persist for some time, commenting that a potential "recovery will be prolonged". NIPSCO Electric has the opportunity to true up sales in its upcoming rate case filing later this year, but weaker industrial load without decoupling in Indiana could be a drag on earnings over time.

NIPSCO Electric 7-year Infrastructure Plan. On May 26, NIPSCO reached a settlement agreement with the Indiana Office of Utility Consumer Counselor, NIPSCO Industrial Group, and US Steel resolving complaints filed in the Indiana Court of Appeals regarding its previous 7-year plan. The settlement calls for NIPSCO to file a rate case, and subsequently re-file the 7-year plan by year end. The rate case will add into rate base investments made in Year 1 of the previous plan, which had been withdrawn. Regarding the infrastructure plan re-filing, the Court of Appeals found that NIPSCO failed to supply sufficient project level detail in its previous plan but did not reject the projects themselves. We expect NIPSCO's re-filed plan to largely resemble its previous plan for the first 6 years, with a new Year 7 since the company had already executed a year of construction under the previous program.

Virginia and Pennsylvania rate case outcomes by year-end. In Virginia, the hearing examiner recommended approval of a settlement agreement stipulating a $25.2M revenue increase. The commission had previously found the revenue increase to be reasonable but there was an outstanding issue on fixed customer charges. In Pennsylvania, the final order for the forward test year rate case filed March 19 is expected in December

Citi Research
Equities

3 August 2015 | 8 pages

Pipelines & Gas Utilities
North America | United States

NiSource Inc (NI)

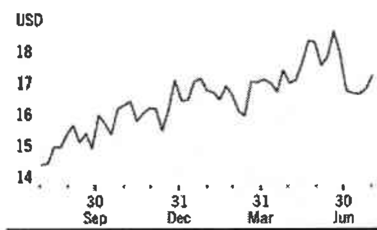
Model Update

- **Earnings** — We are fine-tuning our estimates for 2Q15 to incorporate higher than previously anticipated transaction related expenses. We are also revising our forward estimates to reflect the company's recent announcements.
- **Recommendation** — We maintain our Neutral rating and $18.08 target price.

- **Estimate Change**

Neutral	**2**
Price (31 Jul 15)	US$17.46
Target price	US$18.08
Expected share price return	3.5%
Expected dividend yield	4.4%
Expected total return	**7.9%**
Market Cap	US$5,541M

Price Performance
(RIC: NI.N, BB: NI US)



EPS (US$)	Q1	Q2	Q3	Q4	FY	FC Cons
2014A	0.82A	0.25A	0.13A	0.55A	1.71A	1.72A
2015E	**0.85A**	**0.20E**	**0.00E**	**0.30E**	**1.34E**	**1.26E**
Previous	0.85A	0.28E	0.19E	0.55E	1.87E	na
2016E	**0.62E**	**0.11E**	**0.02E**	**0.33E**	**1.07E**	**1.07E**
Previous	0.82E	0.30E	0.19E	0.56E	1.87E	na
2017E	**0.62E**	**0.12E**	**0.03E**	**0.34E**	**1.12E**	**1.14E**
Previous	0.82E	0.30E	0.21E	0.65E	1.99E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Faisel Khan, CFA
+1-212-816-2825
faisel.khan@citi.com

Trieu Huynhtan
trieu.huynhtan@citi.com

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

NI.N: Fiscal year end 31-Dec

Price: US$17.46; TP: US$18.08; Market Cap: US$5,541m; Recomm: Neutral

Profit & Loss (US$m)	2013	2014	2015E	2016E	2017E
Sales revenue	5,659	6,456	5,287	4,310	4,534
Cost of sales	-2,393	-2,830	-2,174	-1,741	-1,897
Gross profit	3,267	3,627	3,114	2,569	2,637
Gross Margin (%)	57.7	56.2	58.9	59.6	58.2
EBITDA (Adj)	**1,669**	**1,808**	**1,615**	**1,381**	**1,445**
EBITDA Margin (Adj) (%)	29.5	28.0	30.5	32.0	31.9
Depreciation	-577	-606	-564	-516	-540
Amortisation	0	0	0	0	0
EBIT (Adj)	**1,092**	**1,203**	**1,051**	**865**	**905**
EBIT Margin (Adj) (%)	19.3	18.6	19.9	20.1	20.0
Net interest	-415	-444	-395	-326	-326
Associates	36	47	21	0	0
Non-op/Except	24	40	6	-2	-16
Pre-tax profit	**737**	**846**	**682**	**537**	**562**
Tax	-262	-307	-245	-193	-202
Extraord./Min.Int./Pref.div.	0	0	-12	0	0
Reported net profit	**476**	**539**	**426**	**344**	**360**
Net Margin (%)	8.4	8.4	8.0	8.0	7.9
Core NPAT	476	539	426	344	360
Per share data	**2013**	**2014**	**2015E**	**2016E**	**2017E**
Reported EPS ($)	1.52	1.71	1.34	1.07	1.12
Core EPS ($)	1.52	1.71	1.34	1.07	1.12
DPS ($)	1.00	1.03	1.06	0.73	0.76
CFPS ($)	4.39	4.21	4.17	2.68	2.79
FCFPS ($)	1.03	1.09	1.14	-0.81	-0.68
BVPS ($)	18.80	18.61	18.48	18.96	19.24
Wtd avg ord shares (m)	303	306	308	310	312
Wtd avg diluted shares (m)	312	316	318	320	322
Growth rates	**2013**	**2014**	**2015E**	**2016E**	**2017E**
Sales revenue (%)	11.4	14.1	-18.1	-18.5	5.2
EBIT (Adj) (%)	6.8	10.2	-12.7	-17.7	4.6
Core NPAT (%)	14.2	13.4	-21.1	-19.2	4.7
Core EPS (%)	9.6	12.1	-21.6	-19.7	4.0
Balance Sheet (US$m)	**2013**	**2014**	**2015E**	**2016E**	**2017E**
Cash & cash equiv.	125	74	33	35	49
Accounts receivables	1,151	717	591	1,006	1,271
Inventory	241	420	595	500	226
Net fixed & other tangibles	15,203	15,498	15,865	15,975	16,238
Goodwill & intangibles	3,950	3,947	3,945	3,942	3,939
Financial & other assets	967	966	1,056	1,196	1,385
Total assets	**21,636**	**21,622**	**22,084**	**22,654**	**23,107**
Accounts payable	527	393	370	619	714
Short-term debt	1,221	448	1,362	1,241	1,343
Long-term debt	6,804	7,617	7,089	7,593	7,639
Provisions & other liab	7,394	7,461	7,563	7,314	7,399
Total liabilities	**15,946**	**15,919**	**16,383**	**16,767**	**17,095**
Shareholders' equity	5,691	5,703	5,701	5,887	6,012
Minority interests	0	0	0	0	0
Total equity	**5,691**	**5,703**	**5,701**	**5,887**	**6,012**
Net debt (Adj)	**7,900**	**7,991**	**8,418**	**8,799**	**8,933**
Net debt to equity (Adj) (%)	138.8	140.1	147.7	149.5	148.6

Valuation ratios	2013	2014	2015E	2016E	2017E
PE (x)	11.5	10.2	13.1	16.3	15.6
PB (x)	0.9	0.9	0.9	0.9	0.9
EV/EBITDA (x)	9.5	8.8	9.9	11.7	11.2
FCF yield (%)	5.9	6.3	6.6	-4.7	-3.9
Dividend yield (%)	5.7	5.9	6.1	4.2	4.4
Payout ratio (%)	66	60	79	68	68
ROE (%)	8.5	9.5	7.5	5.9	6.0
Cashflow (US$m)	**2013**	**2014**	**2015E**	**2016E**	**2017E**
EBITDA	1,669	1,808	1,615	1,381	1,445
Working capital	55	-140	171	-2	-1
Other	-354	-339	-459	-521	-545
Operating cashflow	**1,370**	**1,330**	**1,327**	**858**	**899**
Capex	-1,049	-985	-963	-1,118	-1,118
Net acq/disposals	18	13	12	0	0
Other	-30	-101	7	0	0
Investing cashflow	**-1,061**	**-1,073**	**-944**	**-1,118**	**-1,118**
Dividends paid	-309	-321	-255	-241	-255
Financing cashflow	**445**	**796**	**-307**	**-149**	**-156**
Net change in cash	**765**	**1,052**	**76**	**-409**	**-375**
Free cashflow to s/holders	**321**	**346**	**364**	**-260**	**-219**

For definitions of the items in this table, please click here.

NiSource Inc

Company description

NiSource Inc (NI) is, primarily, a regulated utility with an integrated network of gas distribution Northeast, Mid-Atlantic, and Midwest. NiSource also operates an electric utility in Northern Indiana. The company serves around 4 million customers across seven states, through its two main business segments, including: 1) Gas Distribution, which delivers natural gas in several states; 2) Electric Operations, which consist of NiSource's regulated electric utility, Northern Indiana Public Service Company (NIPSCO).

Investment strategy

We rate the shares of NiSource (NI) Neutral (2). We believe NI's long-term earnings are relatively stable due to diverse operations areas and constructive regulatory jurisdictions. Our estimates do not include 1) Substantial industrial load growth at the utilities or 2) Colder-than-normal weather and faster than average customer growth or 3) Slower than typical timeline in regulatory filing and approval process for new infrastructure projects and cost recovery mechanisms.

Valuation

We average multiple valuation methodologies to derive our ~$18 target (rounded). Our NAV yields a value of $20. We value regulated assets at a multiple of 1.6x rate base. These values are partially offset by the company's net debt. Our DDM, which incorporates our rate base growth assumptions, values the company at $19 per share. Our P/E and EV/EBITDA multiples are based on proprietary analyses, which utilize current equity risk premiums, current betas and projected risk-free yields. Our P/E and EV/EBITDA analyses yield values of $17 and $19 per share, respectively. Our DCF model estimated NI at $15 per share.

Risks

The key risks to our investment thesis are (1) Rate Cases – We estimate the company will receive rate relief at several of its utilities. Under- or over-estimation of relief could materially impact our estimates (2) Weather – Changes in weather impact the stability of earnings (3) Capital Investment Recovery — NI spends a substantial amount of capital to maintain and expand its distribution system. NI depends on rate increases from public utility commission to earn a fair return on this expansion. (4) Capital Markets — Access to cheap capital markets could be limited due to the size of the company. If the impact on the company from any of these factors proves to be greater/less than we anticipate, it may prevent the stock from achieving our target price or could cause the stock price to materially under/outperform our target.

Appendix A-1

Analyst Certification

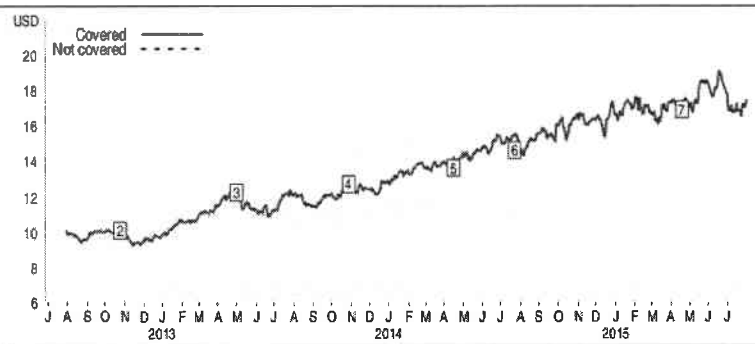
The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

NiSource Inc (NI)

Ratings and Target Price History
Fundamental Research

Analyst: Faisel Khan, CFA



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	25-Oct-12	2	*10.61	10.04
3	1-May-13	2	*11.79	12.03
4	29-Oct-13	2	*13.75	12.56
5	16-Apr-14	2	*14.15	14.26
6	23-Jul-14	2	*15.72	15.49
7	19-Apr-15	2	*18.08	16.96

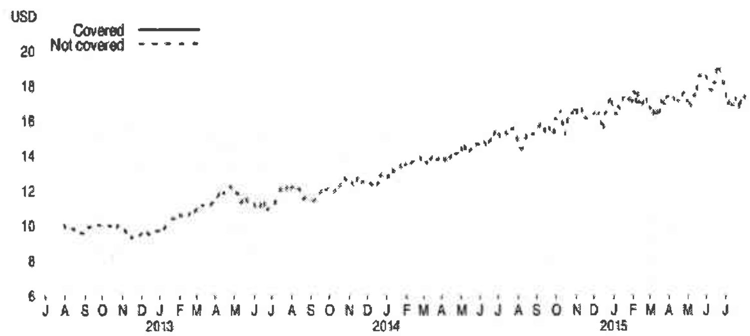
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

NiSource Inc (NI)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Faisel Khan, CFA



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of NiSource Inc. Due to Citi advising NiSource Inc (the 'Company') on the spin-off of off its pipeline & midstream assets into a publicly traded company, Columbia Pipeline Group, Citi Research suspended its rating and target price on 28 September 2014 (the 'Suspension Date'). Please note that the Company price chart that appears in this report and is available on Citi Research's disclosure website does not reflect that Citi Research did not have a rating or target price between the Suspension Date and 19 April 2015 when Citi Research resumed full coverage.

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of NiSource Inc.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from NiSource Inc.

Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from NiSource Inc.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from NiSource Inc in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as investment banking client(s): NiSource Inc.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: NiSource Inc.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, non-securities-related: NiSource Inc.

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability which includes investment banking revenues.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Research product ("the Product"), please contact Citi Research, 388 Greenwich Street, 28th Floor, New York, NY, 10013, Attention: Legal/Compliance [E6WYB6412478]. In addition, the same important disclosures, with the exception of the Valuation and Risk assessments and historical disclosures, are contained on the Firm's disclosure website at https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures. Valuation and Risk assessments can be found in the text of the most recent research note/report regarding the subject company. Historical disclosures (for up to the past three years) will be provided upon request.

Citi Research Equity Ratings Distribution

	12 Month Rating			***Relative Rating***		
Data current as of 30 Jun 2015	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
Citi Research Global Fundamental Coverage	46%	41%	13%	0%	100%	0%
% of companies in each rating category that are investment banking clients	65%	64%	60%	0%	64%	0%

Guide to Citi Research Fundamental Research Investment Ratings:

Citi Research stock recommendations include an investment rating and an optional risk rating to highlight high risk stocks.

Risk rating takes into account both price volatility and fundamental criteria. Stocks will either have no risk rating or a High risk rating assigned.

Investment Ratings: Citi Research investment ratings are Buy, Neutral and Sell. Our ratings are a function of analyst expectations of expected total return ("ETR") and risk. ETR is the sum of the forecast price appreciation (or depreciation) plus the dividend yield for a stock within the next 12 months. The Investment rating definitions are: Buy (1) ETR of 15% or more or 25% or more for High risk stocks; and Sell (3) for negative ETR. Any covered stock not assigned a Buy or a Sell is a Neutral (2). For stocks rated Neutral (2), if an analyst believes that there are insufficient valuation drivers and/or investment catalysts to derive a positive or negative investment view, they may elect with the approval of Citi Research management not to assign a target price and, thus, not derive an ETR. Analysts may place covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and / or trading in the company's securities (e.g. trading suspension). As soon as practically possible, the analyst will publish a note re-establishing a rating and investment thesis. To satisfy regulatory requirements, we correspond Under Review and Neutral to Hold in our ratings distribution table for our 12-month fundamental rating system. However, we reiterate that we do not consider Under Review to be a recommendation.

Prior to May 1, 2014 Citi Research may have also assigned a three-month relative call (or rating) to a stock to highlight expected out-performance (most preferred) or under-performance (least preferred) versus the geographic and industry sector over a 3 month period. The relative call may have highlighted a specific near-term catalyst or event impacting the company or the market that was anticipated to have a short-term price impact on the equity securities of the company. Absent any specific catalyst the analyst(s) may have indicated the most and least preferred stocks in the universe of stocks under consideration, explaining the basis for this short-term view. This three-month view may have been different from and did not affect a stock's fundamental equity rating, which reflected a longer-term total absolute return expectation. For purposes of NASD/NYSE ratings-distribution-disclosure rules, most preferred calls corresponded to a buy recommendation and least preferred calls corresponded to a sell recommendation. Any stock not assigned to a most preferred or least preferred call was considered non-relative-rated (NRR). For purposes of NASD/NYSE ratings-distribution-disclosure rules we corresponded NRR to Hold in our ratings distribution table for our 3-month relative rating system. However, we reiterate that we did not consider NRR to be a recommendation.

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

NON-US RESEARCH ANALYST DISCLOSURES

Non-US research analysts who have prepared this report (i.e., all research analysts listed below other than those identified as employed by Citigroup Global Markets Inc.) are not registered/qualified as research analysts with FINRA. Such research analysts may not be associated persons of the member organization and therefore may not be subject to the NYSE Rule 472 and NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. The legal entities employing the authors of this report are listed below:

Citigroup Global Markets Inc	Faisel Khan, CFA; Trieu Huynhtan

OTHER DISCLOSURES

The subject company's share price set out on the front page of this Product is quoted as at 31 July 2015 04:00 PM on the issuer's primary market.

Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citi Research's Products can be found at https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures.

For securities recommended in the Product in which the Firm is not a market maker, the Firm is a liquidity provider in the issuers' financial instruments and may act as principal in connection with such transactions. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in the Product. The Firm regularly trades in the securities of the issuer(s) discussed in the Product. The Firm may engage in securities transactions in a manner inconsistent with the Product and, with respect to securities covered by the Product, will buy or sell from customers on a principal basis.

Citigroup Global Markets India Private Limited and/or its affiliates may have, from time to time, actual or beneficial ownership of 1% or more in the debt securities of the subject issuer.

Compensation of equity research analysts is determined by equity research management and Citigroup's senior management and is not linked to specific transactions or recommendations. One factor in Research Analyst compensation is arranging corporate access events between institutional clients and the management teams of covered companies. Typically company management is more likely to participate when the Research Analyst has a positive view of their company.

Citi Research generally disseminates its research to the Firm's global institutional and retail clients via both proprietary (e.g., Citi Velocity and Citi Personal Wealth Management) and non-proprietary electronic distribution platforms. Certain research may be disseminated only via Citi's proprietary distribution platforms; however such research will not contain changes to earnings forecasts, target price, investment or risk rating or investment thesis or be otherwise inconsistent with the author's previously published research. Certain research is made available only to institutional investors to satisfy regulatory requirements. Individual Citi Research analysts may also opt to circulate published research to one or more clients by email; such email distribution is discretionary and is done only after the research has been disseminated. The level and types of services provided by Citi Research analysts to clients may vary depending on various factors such as the client's individual preferences as to the frequency and manner of receiving communications from analysts, the client's risk profile and investment focus and perspective (e.g. market-wide, sector specific, long term, short-term etc.), the size and scope of the overall client relationship with Citi and legal and regulatory constraints.

Pursuant to Comissão de Valores Mobiliários Rule 483, Citi is required to disclose whether a Citi related company or business has a commercial relationship with the subject company. Considering that Citi operates multiple businesses in more than 100 countries around the world, it is likely that Citi has a commercial relationship with the subject company.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although information has been obtained from and is based upon sources that the Firm believes to be reliable, we do not guarantee its accuracy and it may be incomplete and condensed. Note, however, that the Firm has taken all reasonable steps to determine the accuracy and completeness of the disclosures made in the Important Disclosures section of the Product. The Firm's research department has received assistance from the subject company(ies) referred to in this Product including, but not limited to, discussions with management of the subject company(ies). Firm policy prohibits research analysts from sending draft research to subject companies. However, it should be presumed that the author of the Product has had discussions with the subject company to ensure factual accuracy prior to publication. All opinions, projections and estimates constitute the judgment of the author as of the date of the Product and these, plus any other information contained in the Product, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Notwithstanding other departments within the Firm advising the companies discussed in this Product, information obtained in such role is not used in the preparation of the Product. Although Citi Research does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citi Research to provide research coverage of the/those issuer(s) mentioned therein, including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received the Product from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in the Product from the Firm. Please ask your Financial Consultant for additional details. Citigroup Global Markets Inc. takes responsibility for the Product in the United States. Any orders by US investors resulting from the information contained in the Product may be placed only through Citigroup Global Markets Inc.

Important Disclosures for Bell Potter Customers: Bell Potter is making this Product available to its clients pursuant to an agreement with Citigroup Global Markets Australia Pty Limited. Neither Citigroup Global Markets Australia Pty Limited nor any of its affiliates has made any determination as to the suitability of the information provided herein and clients should consult with their Bell Potter financial advisor before making any investment decision.

The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by. The Product is made available in **Australia** through Citigroup Global Markets Australia Pty Limited. (ABN 64 003 114 832 and AFSL No. 240992), participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in Australia to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in **Brazil** by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av. Paulista, 1111 - 11° andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of **Canada** by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. This product is available in **Chile** through Banchile Corredores de Bolsa S.A., an indirect subsidiary of Citigroup Inc., which is regulated by the Superintendencia de Valores y Seguros. Agustinas 975, piso 2, Santiago, Chile. The Product is distributed in **Germany** by Citigroup

Global Markets Deutschland AG ("CGMD"), which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). CGMD, Reuterweg 16, 60323 Frankfurt am Main. Research which relates to "securities" (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) is issued in **Hong Kong** by, or on behalf of, Citigroup Global Markets Asia Limited which takes full responsibility for its content. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Research is made available through Citibank, N.A., Hong Kong Branch, for its clients in Citi Private Bank, it is made available by Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citibank N.A. is regulated by the Hong Kong Monetary Authority. Please contact your Private Banker in Citibank N.A., Hong Kong, Branch if you have any queries on or any matters arising from or in connection with this document. The Product is made available in **India** by Citigroup Global Markets India Private Limited (CGM), which is regulated by the Securities and Exchange Board of India (SEBI), as a Research Analyst (SEBI Registration No. INH000000438). CGM is also actively involved in the business of merchant banking, stock brokerage, and depository participant, in India, and is registered with SEBI in this regard. CGM's registered office is at 1202, 12th Floor, FIFC, G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400051. CGM's Corporate Identity Number is U99999MH2000PTC126657, and its contact details are: Tel:+9102261759999 Fax:+9102261759961. The Product is made available in **Indonesia** through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in **Israel** through Citibank NA, regulated by the Bank of Israel and the Israeli Securities Authority. Citibank, N.A, Platinum Building, 21 Ha'arba'ah St, Tel Aviv, Israel. The Product is made available in **Italy** by Citigroup Global Markets Limited, which is authorised by the PRA and regulated by the FCA and the PRA. Via dei Mercanti, 12, Milan, 20121, Italy. The Product is made available in **Japan** by Citigroup Global Markets Japan Inc. ("CGMJ"), which is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. If the Product was distributed by SMBC Nikko Securities Inc. it is being so distributed under license. In the event that an error is found in an CGMJ research report, a revised version will be posted on the Firm's Citi Velocity website. If you have questions regarding Citi Velocity, please call (81 3) 6270-3019 for help. The Product is made available in **Korea** by Citigroup Global Markets Korea Securities Ltd., which is regulated by the Financial Services Commission, the Financial Supervisory Service and the Korea Financial Investment Association (KOFIA). Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. KOFIA makes available registration information of research analysts on its website. Please visit the following website if you wish to find KOFIA registration information on research analysts of Citigroup Global Markets Korea Securities Ltd. http://dis.kofia.or.kr/websquare/index.jsp?w2xPath=/wq/fundMgr/DISFundMgrAnalystList.xml&divisionId=MDIS03002002000000&serviceId=SDIS03002002000. The Product is made available in Korea by Citibank Korea Inc., which is regulated by the Financial Services Commission and the Financial Supervisory Service. Address is Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. The Product is made available in **Malaysia** by Citigroup Global Markets Malaysia Sdn Bhd (Company No. 460819-D) ("CGMM") to its clients and CGMM takes responsibility for its contents. CGMM is regulated by the Securities Commission of Malaysia. Please contact CGMM at Level 43 Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia in respect of any matters arising from, or in connection with, the Product. The Product is made available in **Mexico** by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, Integrante del Grupo Financiero Banamex ("Accival") which is a wholly owned subsidiary of Citigroup Inc. and is regulated by Comision Nacional Bancaria y de Valores. Reforma 398, Col. Juarez, 06600 Mexico, D.F. In **New Zealand** the Product is made available to 'wholesale clients' only as defined by s5C(1) of the Financial Advisers Act 2008 ('FAA') through Citigroup Global Markets Australia Pty Ltd (ABN 64 003 114 832 and AFSL No. 240992), an overseas financial adviser as defined by the FAA, participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in **Pakistan** by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in the **Philippines** through Citicorp Financial Services and Insurance Brokerage Philippines, Inc., which is regulated by the Philippines Securities and Exchange Commission. 20th Floor Citibank Square Bldg. The Product is made available in the Philippines through Citibank NA Philippines branch, Citibank Tower, 8741 Paseo De Roxas, Makati City, Manila. Citibank NA Philippines NA is regulated by The Bangko Sentral ng Pilipinas. The Product is made available in **Poland** by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Nadzoru Finansowego. Dom Maklerski Banku Handlowego S.A. ul.Senatorska 16, 00-923 Warszawa. The Product is made available in the **Russian Federation** through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gasheka Street, 125047 Moscow. The Product is made available in **Singapore** through Citigroup Global Markets Singapore Pte. Ltd. ("CGMSPL"), a capital markets services license holder, and regulated by Monetary Authority of Singapore. Please contact CGMSPL at 8 Marina View, 21st Floor Asia Square Tower 1, Singapore 018960, in respect of any matters arising from, or in connection with, the analysis of this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore Branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Please contact your Private Banker in Citibank N.A., Singapore Branch if you have any queries on or any matters arising from or in connection with this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). This report is distributed in Singapore by Citibank Singapore Ltd ("CSL") to selected Citigold/Citigold Private Clients. CSL provides no independent research or analysis of the substance or in preparation of this report. Please contact your Citigold//Citigold Private Client Relationship Manager in CSL if you have any queries on or any matters arising from or in connection with this report. This report is intended for recipients who are accredited investors as defined under the Securities and Futures Act (Cap. 289). Citigroup Global Markets (Pty) Ltd. is incorporated in the **Republic of South Africa** (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in the **Republic of China** through Citigroup Global

Markets Taiwan Securities Company Ltd. ("CGMTS"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan and/or through Citibank Securities (Taiwan) Company Limited ("CSTL"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan, subject to the respective license scope of each entity and the applicable laws and regulations in the Republic of China. CGMTS and CSTL are both regulated by the Securities and Futures Bureau of the Financial Supervisory Commission of Taiwan, the Republic of China. No portion of the Product may be reproduced or quoted in the Republic of China by the press or any third parties [without the written authorization of CGMTS and CSTL]. If the Product covers securities which are not allowed to be offered or traded in the Republic of China, neither the Product nor any information contained in the Product shall be considered as advertising the securities or making recommendation of the securities in the Republic of China. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security or financial products. Any decision to purchase securities or financial products mentioned in the Product must take into account existing public information on such security or the financial products or any registered prospectus. The Product is made available in **Thailand** through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 399 Interchange 21 Building, 18th Floor, Sukhumvit Road, Klongtoey Nua, Wattana ,Bangkok 10110, Thailand. The Product is made available in **Turkey** through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Buyukdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. In the **U.A.E**, these materials (the "Materials") are communicated by Citigroup Global Markets Limited, DIFC branch ("CGML"), an entity registered in the Dubai International Financial Center ("DIFC") and licensed and regulated by the Dubai Financial Services Authority ("DFSA") to Professional Clients and Market Counterparties only and should not be relied upon or distributed to Retail Clients. A distribution of the different Citi Research ratings distribution, in percentage terms for Investments in each sector covered is made available on request. Financial products and/or services to which the Materials relate will only be made available to Professional Clients and Market Counterparties. The Product is made available in **United Kingdom** by Citigroup Global Markets Limited, which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. This material may relate to investments or services of a person outside of the UK or to other matters which are not authorised by the PRA nor regulated by the FCA and the PRA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in **United States** by Citigroup Global Markets Inc, which is a member of FINRA and registered with the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is authorised by the PRA and regulated by the FCA and the PRA.
The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted. Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product. Citi Research product may source data from dataCentral. dataCentral is a Citi Research proprietary database, which includes Citi estimates, data from company reports and feeds from Thomson Reuters. The printed and printable version of the research report may not include all the information (e.g., certain financial summary information and comparable company data) that is linked to the online version available on Citi's proprietary electronic distribution platforms.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

03 August 2015
Americas/United States
Equity Research
Master Limited Partnerships (MLPs (US))

CREDIT SUISSE

NiSource / Columbia Pipeline Group (NI/CPPL/CPGX)

EARNINGS

Research Analysts
John Edwards, CFA
713 890 1594
john.edwards@credit-suisse.com
Bhavesh Lodaya
212 325 2337
bhavesh.lodaya@credit-suisse.com
Dylan Nassano
212 325 8375
dylan.nassano@credit-suisse.com

Tracking to Plan Post Separation; Financing the Key Risk Moving Ahead

- **Tracking to Plan Post Separation:** The consolidated Columbia OpCo entity reported adjusted EBITDA of $138mm which was light vs. our $151mm. After adjusting for ~$7mm in O&M costs related to double-staffing during the lead-up to the spin and some other spin-related cats and dogs the quarter was about 4% below our estimate as volumes were 4% light. DCF to CPPL came in at $12.5mm vs. our $17mm while CPGX reported $28mm (includes $41.5mm in capital costs related to separation) so ex separation cost would have been $70mm vs. our $78mm. On the NiSource side EPS came in at $0.16 vs. our $0.18, though again separation costs were baked into results. Our consolidated estimates for adjusted EBITDA to CPG OpCo fall 3% per year in 2015-18. Our NI EPS estimates fall 2.0%/2.6%2.2% in *2015-2018*. We are holding our TP's for NI and CPGX, and reducing our TP for CPPL to $30, from $35. *See inside for more details…*

- **Financing Risk Is Key on the Columbia Side as Mgmnt Moves to Execution Phase:** With the separation now in the rearview, NiSource (NI) and the Columbia Pipeline Group (CPG) are focused on their respective growth strategies. During the call CPG announced specifics on the Gibraltar projects (formerly known as SW PA Dry Gas Header) and a few components of the backlog were shuffled around though the net result remains $10B+ in modernization and growth opportunities. On the call management reiterated CPG's financing strategy which calls for CPPL to act as the primary equity vehicle. While a 3% yield is indicative of an attractive equity cost, with ~$4B in equity issuances expected over the next four years (we are at $4.6B in our forecast) CPPL's cost of capital could rise as short sellers try to game the timing of its equity capital raises given that its mkt. cap is ~$2.4B and the current equity market turbulence. In management's defense they are well prepared for capital market battle, armed with over $2B in S/T liquidity ($500mm undrawn revolver at CPPL and $1.5B available at CPGX). Still mere utterances of equity capital raises let alone pounding reiteration puts issuers right in the cross hairs of the shorts and CPPL is no exception as it was down 5% today on what was otherwise a pretty benign quarterly update. For NiSource a base rate case settlement agreement was reached in Massachusetts and NI is on track to execute on its $30B of long-term regulated utility projects while delivering 4-6% dividend growth.

Company	Price ccy	Price 03 Aug 15	Rating* Prev.	Rating* Cur.	Target Price Prev.	Target Price Cur.	Year End	EPS Ccy	EPS FY1E Prev.	EPS FY1E Cur.	EPS FY2E Prev.	EPS FY2E Cur.	EPS FY3E Prev.	EPS FY3E Cur.
Columbia Pipeline Group (CPGX)	US$	28.47	—	O	—	35.00	Dec 14	US$	0.56	1.19	1.02	1.10	0.88	0.99
Columbia Pipeline Partners (CPPL)	US$	22.25	—	O	35.00	30.00	Dec 14	US$	—	0.80	1.16	1.12	1.72	1.67
NiSource Inc. (NI)	US$	17.07	—	O	—	19.00	Dec 14	US$	1.47	1.44	1.06	1.03	1.14	1.12

**O – Outperform, N – Neutral, U – Underperform, R – Restricted*
[V] = Stock considered volatile (see Disclosure Appendix).
Source: Company data, Credit Suisse estimates.

Valuation

- **CPPL:** We are lowering our target price for CPPL to $30, from $35 as we increase our discount rate to account for increased capital market risk. Our $30 target price is derived from our 3-stage DDM (20%/12%/2%) discounted at 9% (from 8%) and implies a target yield of 2.8% and a ~38% total return potential.
- **CPGX:** We are maintaining our $35 target price for CPGX, which is also derived from our 3-stage DDM (16.3%/19.8%/3%), discounted at 8%. Our $35 target price for CPGX implies a 1.7% target yield and a ~25% total return potential.
- **NI:** We are also maintaining our $19 target price for **NI** which is derived from (1) applying a 9x EV/EBITDA on the electric utility and the LDC gas utilities and (2) applying a simple P/E multiple of 17x 2016E EPS which implies a 15% total return.

Risks

Risks include but are not limited to the following:

Execution Risk: Growth at the OpCo level is dependent on the successful completion of CPG's backlog of growth projects. Inability to complete the projects on time and within budget would adversely impact our projections for CPPL. Given the difficult commodity price environment, the most likely risk to project execution would be a scenario in which customers attempt to renegotiate rate commitments or pull out of binding precedent agreements altogether.

Capital Market Risk: As CPPL intends to issue large amounts of equity to finance its purchase of additional ownership interests/OpCo investments, a downturn in equity markets would adversely affect CPPL's ability to raise capital, or would force CPPL to issue more units at lower prices, which would dilute unitholders. Interest rates are expected to rise in the coming year, and although CPPL has a relatively conservative balance sheet, any increase in rates would increase its cost of debt.

Tax Treatment of MLPs: CPPL's ability to pay distributions may be hindered should the tax treatment of MLPs be changed. Although the discussion of taxing MLPs arises from time to time, we view such an event as a low probability.

Regulatory, Environmental and Legal Risk: Columbia Gas and Columbia Gulf are FERC-regulated natural gas transportation systems and Nisource is a regulated utility. Expansions to systems will likely require approval from FERC and other regulatory agencies prior to commencing construction, which could delay projects and costs could be higher to comply with regulations.

Investment Thesis

Columbia Pipeline Partners, LP (CPPL) is a fee-based natural gas transportation MLP formed by NiSource (NI). The MLP's cash flows are generated through holding company Columbia OpCo, in which CPPL owns an operating interest and holds a ROFO to purchase additional ownership percentages in the future. Columbia OpCo has ~$5B of expansion projects expected to be completed by 2018, which along with increasing ownership of OpCo we project will drive a five-year distribution CAGR of 25% for CPPL.. CPPL's growth will be driven through a combination of organic investments and additional ownership interests in Columbia OpCo, in which CPPL initially owns a 15.7% operating interest. The largest projects on the horizon are the Leach and Rayne Xpress expansions, which will add a combined 2.5 MMDth/d of transportation capacity to Columbia Gulf and Columbia Gas. The projects are expected to be completed in 4Q17 and will expand Columbia Pipeline Group's network of natural gas transportation capacity out of the Utica/Marcellus. Virtually all new capacity of both projects are already contracted with customers. Direct commodity exposure is less than 5% of total cash flows, with the remaining revenues expected to be generated by firm natural gas transportation and storage contracts that have an average remaining life of five years. As Columbia Pipeline Group has long been housed under the NiSource umbrella, management and the Columbia Pipeline Group already have an exceptional track record of execution and cash flow generation.

CREDIT SUISSE

03 August 2015

2Q15 Results

Exhibit 1: CPPL New vs. Old Estimates

	Old Estimates						New estimates					
	3Q15E	4Q15E	2015E	2016E	2017E	2018E	3Q15E	4Q15E	2015E	2016E	2017E	2018E
Total Revenues	369.2	384.6	**1,423.8**	**1,573.6**	**1,726.2**	**2,099.7**	337.1	384.0	**1,376.0**	**1,528.0**	**1,678.4**	**2,042.6**
Operating and maintenance expenses	203	212	742.7	811.4	794.0	965.9	175.3	199.7	697.7	787.9	772.1	939.6
Depreciation and amortization	34	35	133.4	159.5	208.5	285.9	33.8	35.5	134.6	159.8	208.9	286.6
Property and other taxes	16	16	36.8	46.2	53.3	70.0	15.6	16.0	36.8	46.2	53.3	70.0
Other	(5)	(5)	(20.9)	0.0	0.0	0.0	(5.7)	(5.7)	(25.0)	0.0	0.0	0.0
Operating Income	**131**	**137**	**549.4**	**584.4**	**674.7**	**777.7**	**127.3**	**147.4**	**545.8**	**564.6**	**651.8**	**750.2**
Net Income	**129**	**136**	513.4	579.6	669.0	768.8	125.8	146.2	511.1	561.0	646.6	740.8
Less noncontrolling interest	109	115	432.8	450.9	404.5	395.2	106.1	123.3	430.8	435.6	389.1	378.5
CPPL Net Income	**20**	**21**	80.6	128.7	264.5	373.6	19.8	23.0	80.2	125.4	257.5	362.2
EPU	$0.20	$0.21	$0.80	$1.16	$1.73	$1.87	$0.20	$0.23	$0.80	$1.12	$1.67	$1.79
Average Units Outstanding	101	101	100.6	111.4	153.2	199.6	100.6	100.6	100.6	111.6	154.5	202.0
CPPL Ownership of OpCo	15.7%	15.7%	**15.7%**	**22.2%**	**39.5%**	**48.6%**	15.7%	15.7%	15.7%	22.4%	39.8%	48.9%
Throughput (MMDth)	**470**	**562**	2,153	2,274	2,431	3,048	430	560	2,090	2,206	2,362	2,964
Adjusted EBITDA												
Net Income	129.11	135.89	**513.36**	**579.57**	**668.96**	**768.83**	125.84	146.25	**511.08**	**560.97**	**646.59**	**740.79**
Interest expenses	6.06	5.78	29.55	22.04	22.93	26.08	6.31	6.02	30.04	23.22	24.84	29.02
Income taxes	0.00	0.00	23.70	0.00	0.00	0.00	0.00	0.00	23.70	0.00	0.00	0.00
Depreciation and amortization	33.72	35.43	133.44	159.52	208.53	285.94	33.81	35.50	134.61	159.81	208.94	286.64
Distributions of earnings received from equity investees	15.00	15.00	63.30	70.00	76.00	60.00	15.00	15.00	57.90	70.00	76.00	60.00
Other, net	(4.30)	(4.30)	(17.20)	(17.20)	(17.20)	(17.20)	(4.90)	(4.90)	(19.00)	(19.60)	(19.60)	(19.60)
Equity earnings in unconsolidated affiliates	(13.94)	(16.07)	(60.52)	(69.78)	(71.91)	(76.80)	(13.94)	(16.07)	(58.91)	(69.78)	(71.91)	(76.80)
Adjusted EBITDA to OpCo	165.65	171.72	685.63	744.14	887.31	1046.85	162.12	181.80	679.42	724.62	864.85	1020.04
Adjusted EBITDA to CPPL	**26.01**	**26.96**	**94.81**	**144.17**	**281.16**	**465.39**	**25.45**	**28.54**	**93.50**	**140.66**	**275.70**	**456.35**
Distributable Cash Flow (DCF)												
Adjusted EBITDA	165.7	171.7	685.6	**744.1**	**887.3**	1,046.8	162.1	181.8	**679.4**	**724.6**	**864.9**	**1,020.0**
(-) Maintenance Capex	34.8	34.8	125.0	139.5	137.3	157.0	32.4	36.4	139.5	137.7	155.7	153.0
(-) Cash Interest Expenses	6.1	5.8	29.6	22.0	22.9	26.1	6.3	6.0	30.0	23.2	24.8	29.0
(+) Other Adjustments	11.0	0.0	4.0	0.0	0.0	0.0	0.0	0.0	(8.1)	0.0	0.0	0.0
(-) DCF attributable to CPGX	95.9	110.6	455.5	469.7	496.4	479.8	104.0	117.5	448.3	454.3	466.2	463.1
Total Distributable Cash Flow	17.9	20.6	71.5	112.9	230.7	384.0	19.4	21.9	69.7	109.4	218.2	374.9
(-) Cash Paid to General Partner (GP)	0.0	0.0	0.0	2.3	17.4	65.5	0.0	0.0	0.0	2.0	16.3	64.3
DCF to Limited Partners	**17.9**	**20.6**	71.5	**110.6**	**213.3**	**318.5**	**19.4**	**21.9**	**69.7**	**107.4**	**201.9**	**310.6**
DCF per LP unit	**$0.18**	**$0.20**	**$0.71**	**$0.99**	**$1.39**	**$1.60**	**$0.19**	**$0.22**	$0.69	$0.96	**$1.31**	**$1.54**
Cash Distribution Declared Per Unit	**$0.183**	**$0.190**	$0.715	**$0.860**	**$1.045**	**$1.270**	**$0.178**	**$0.188**	$0.700	$0.850	**$1.035**	**$1.260**
Distribution Coverage (Total DCF/Total Distribution Declared)	**0.97x**	**1.08x**	0.99x	**1.17x**	**1.35x**	**1.23x**	**1.08x**	**1.16x**	0.99x	**1.15x**	**1.29x**	**1.20x**

Source: Company data, Credit Suisse estimates

CREDIT SUISSE

03 August 2015

Exhibit 2: CPPL 2Q15 Variance

Quarterly Variance
Columbia Pipeline Partners, LP (CPPL)

Earnings Variance	2Q15 Actual	2Q15 CS Estimate	Diff.	Diff. (%)
Total Revenues	315.6	330.9	-15.3	-5%
Operating and maintenance expenses	176.6	182.0	-5.4	-3%
Depreciation and amortization	33.0	32.0	1.0	3%
Property and other taxes	14.8	14.8	0.0	NA
Other	(8.3)	(5.2)	-3.1	60%
Operating Income	**109.2**	**119.2**	**-10.0**	**-8%**
Net Income	**107.8**	**117.2**	**(9)**	**-8%**
Less noncontrolling interest	91.5	98.8	(7)	-7%
CPPL Net Income	**16.3**	**18.4**	**(2)**	**-11%**
EPU	$0.16	$0.18	0.0	-11%
Average Units Outstanding	100.6	100.6	0.0	0%
CPPL Ownership of OpCo	15.7%	15.7%	0.0	0%
Throughput (MMDth)	**456**	**477**	**-21.3**	**-4%**
Adjusted EBITDA				
Net Income	107.8	117.2	-9.4	-8%
Interest expenses	6.3	6.3	0.0	0%
Income taxes	0.0	0.0	0.0	NA
Depreciation and amortization	33.0	32.0	1.0	3%
Distributions of earnings received from equity investees	9.6	15.0	-5.4	-36%
Other, net	(4.9)	(4.3)	-0.6	14%
Equity earnings in unconsolidated affiliates	(14.0)	(15.6)	1.6	-10%
Adjusted EBITDA to OpCo	137.8	150.6	-12.8	-8%
Adjusted EBITDA to CPPL	**21.3**	**23.6**	**-2.3**	**-10%**
Distributable Cash Flow (DCF)				
Adjusted EBITDA	137.8	150.6	-12.8	-8%
(-) Maintenance Capex	50.1	34.8	15.3	44%
(-) Cash Interest Expenses	6.3	6.3	0.0	0%
(+) Other Adjustments	(1.1)	0.0	-1.1	NA
(-) DCF attributable to CPGX	70.0	92.3	-22.3	-24%
Total Distributable Cash Flow	12.5	17.2	-4.7	-27%
(-) Cash Paid to General Partner (GP)	0.0	0.0	0.0	NA
DCF to Limited Partners	**12.5**	**17.2**	**-4.7**	**-27%**
DCF per LP unit	**$0.12**	**$0.17**	**0.0**	**-27%**
Cash Distribution Declared Per Unit	**$0.168**	**$0.175**	**0.0**	**-4%**
Distribution Coverage (Total DCF/Total Distribution Declared)	**0.74x**	**0.98x**	**-0.2**	**-24%**

Source: Company data, Credit Suisse estimates

Exhibit 3: CPGX 2Q15 Earnings Results

Quarterly Variance				
Columbia Pipeline Partners, LP (CPGX)				
Earnings Variance				
	2Q15 Actual	**2Q15 CS Estimate**	**Diff.**	**Diff. (%)**
Adjusted EBITDA				
Net Income	**59.8**	**95.7**	**-35.9**	**-38%**
Interest expenses	23.9	6.3	17.6	NA
Income taxes	28.6	0.0	28.6	NA
Depreciation and amortization	33.9	32.0	1.9	6%
Distributions of earnings received from equity investees	9.6	15.0	-5.4	-36%
Other, net	(3.5)	17.1	-20.6	-120%
Equity earnings in unconsolidated affiliates	(13.7)	(15.6)	1.9	-12%
Adjusted EBITDA to OpCo	138.6	150.6	-12.0	-8%
Adjusted EBITDA to CPGX	**127.2**	**135.1**	**-7.9**	**-6%**
Distributable Cash Flow (DCF)				
Adjusted EBITDA	138.6	150.6	-12.0	-8%
(-) Maintenance Capex	(89.4)	(29.3)	-60.1	NA
(-) Cash Interest Expenses	(23.9)	(27.8)	3.9	-14%
(+) Other Adjustments	2.6	(15.4)	18.0	NA
Total Distributable Cash Flow	**27.9**	**78.0**	**-50.1**	**-64%**
DCF per LP unit	**$0.09**	**$0.00**	**$0.088**	**NA**
Dividend Declared Per Share	**$0.125**	**$0.125**	**$0.000**	**0%**
Dividend Coverage Ratio	**0.70x**	**1.97x**	**-1.26x**	**-64%**

Source: Company data, Credit Suisse estimates

Exhibit 4: CPGX New vs. Old CS Estimates

	Old Estimates				New Estimates						
	2015E	**2016E**	**2017E**	**2018E**	2Q15E	3Q15E	4Q15E	**2015E**	**2016E**	**2017E**	**2018E**
Adjusted EBITDA											
Net Income	**454.78**	**434.37**	**490.32**	**578.26**	**59.8**	**104.40**	**123.68**	**419.08**	**418.70**	**471.94**	**556.57**
Interest expenses	29.55	22.04	22.93	26.08	23.9	27.75	28.59	91.64	119.96	144.93	164.58
Income taxes	23.70	0.00	0.00	0.00	28.6	0.00	0.00	52.30	0.00	0.00	0.00
Depreciation and amortization	133.44	159.52	208.53	285.94	33.9	33.81	35.50	135.51	159.81	208.94	286.64
Distributions of earnings received from equity investees	63.30	70.00	76.00	60.00	9.6	15.00	15.00	57.90	70.00	76.00	60.00
Other, net	41.39	128.00	161.44	173.37	-3.5	(4.90)	(4.90)	(17.60)	25.92	34.96	29.06
Equity earnings in unconsolidated affiliates	(60.52)	(69.78)	(71.91)	(76.80)	-13.7	(13.94)	(16.07)	(58.61)	(69.78)	(71.91)	(76.80)
Adjusted EBITDA to OpCo	685.63	744.14	887.31	1046.85	138.6	162.12	181.80	680.22	724.62	864.85	1020.04
Adjusted EBITDA to CPGX	**611.46**	**641.42**	**665.72**	**691.74**	**127.2**	**144.98**	**162.03**	**600.87**	**624.75**	**647.40**	**672.24**
Distributable Cash Flow (DCF)											
Adjusted EBITDA	**685.6**	**744.1**	**887.3**	**1,046.8**	138.6	162.1	181.8	**649.2**	**724.6**	**864.9**	**1,020.0**
(-) Maintenance Capex	(105.4)	(112.5)	(94.1)	(87.2)	(89.4)	(32.4)	(36.4)	(178.8)	(137.7)	(155.7)	(153.0)
(-) Cash Interest Expenses	(111.8)	(120.2)	(145.4)	(165.4)	(23.9)	(27.8)	(28.6)	(108.0)	(120.0)	(144.9)	(164.6)
(+) Other Adjustments	(74.2)	(151.0)	(288.4)	(457.2)	2.6	(4.9)	(4.9)	(7.2)	(66.1)	(84.0)	(117.8)
Total Distributable Cash Flow	394.2	360.5	359.4	337.0	27.9	97.0	112.0	355.2	400.9	480.3	584.6
DCF per LP unit					$0.09	$0.31	$0.35	$1.12	$1.26	$1.51	$1.84
Dividend Declared Per Share	**$0.795**	**$0.635**	**$0.755**	**$0.875**	**$0.125**	**$0.130**	**$0.134**	**$0.389**	**$0.586**	**$0.676**	**$0.777**
Dividend Coverage Ratio	**1.56x**	**1.79x**	**1.50x**	**1.21x**	**0.70x**	**2.36x**	**2.63x**	**2.88x**	**2.15x**	**2.24x**	**2.37x**

Source: Company data, Credit Suisse estimates

Exhibit 5: NI 2Q15 Variance

Quarterly Variance (NI)

Earnings Variance	2Q15 Actual	2Q15 CS Estimate	Diff.	Diff. (%)	2Q14 Actual
Segment EBITDA					
Gas Distribution	114	118	(5)	-4%	114
Electric Operations	125	128	(3)	-2%	123
Columbia Pipeline Group	143	150	(8)	-5%	133
Other	2	2	(0)	NM	(1)
Total EBITDA (recurring)	384	399	(15)	-4%	369
Segment EBIT					
Gas Distribution	56	60	(4)	-7%	60
Electric Operations	57	65	(8)	-13%	63
Columbia Pipeline Group	109	118	(9)	-8%	104
Other	(9)	(2)	(7)	NM	(7)
Total EBIT (recurring)	**212**	**241**	**(28)**	**-12%**	**219**
Interest Expense	117	121	(4)	-3%	109
Other Expenses	(7)	7	(14)	-193%	(8)
Taxes	36	40	(4)	-9%	40
Recurring Net Income	**65**	73	**(8)**	**-10%**	**78**
Diluted Wtd Avg shares outstanding	318	318	0	0%	316
Recurring EPS - Diluted	**$0.18**	**$0.20**	**($0.02)**	**(11%)**	**$0.25**
Dividend per share	**$0.16**	**$0.16**	**$0.00**	**0%**	**$0.26**
Operational Metrics					
Gas Distribution					
Total Volumes (MDth)	**183**	**202**	**(19)**	**-9%**	**198**
Total Customers	**3,359,539**	**3,408,722**	**(49,183)**	**-1%**	**3,337,613**
Electric Operations					
Residential	402,955	402,474	481	0%	401,671
Commercial	54,762	54,412	350	1%	54,303
Industrial	2,357	2,375	(18)	-1%	2,370
Other electric service	751	775	(24)	-3%	773
Total Heating customers (000s)	**460,825**	**460,035**	**790**	**0%**	**459,117**
Sales (Gigawatt Hours)					
Residential	717	801	(84)	-11%	793
Commercial	929	975	(45)	-5%	965
Industrial	2,295	2,480	(185)	-7%	2,456
Wholesale and other	36	47	(12)	-25%	47
Total	**3,977**	**4,304**	**(327)**	**-8%**	**4,261**

Source: Company data, Credit Suisse estimates

CREDIT SUISSE

Exhibit 6: NI New vs. Old Estimates

	Old estimates						New estimates					
	3Q15E	4Q15E	2015E	2016E	2017E	2018E	3Q15E	4Q15E	2015E	2016E	2017E	2018E
Segment EBITDA												
Gas Distribution	62	259	802	818	904	980	61	256	792	806	890	966
Electric Operations	158	122	537	551	574	597	158	122	535	549	571	594
Columbia Pipeline Group	165	171	682	739	876	1,017	165	171	675	739	876	1,017
Other	(161)	(158)	(313)	(716)	(852)	(994)	(161)	(158)	(313)	(716)	(852)	(994)
Total EBITDA (recurring)	224	394	1,026	653	625	583	223	391	1,013	638	609	566
Segment EBIT												
Gas Distribution	2	198	566	558	621	675	1	194	557	546	608	661
Electric Operations	95	57	283	284	294	306	95	57	281	282	291	303
Columbia Pipeline Group	132	136	548	584	688	792	132	136	539	584	688	792
Other	(132)	(127)	(265)	(581)	(687)	(792)	(132)	(127)	(275)	(581)	(687)	(792)
Total EBIT (recurring)	96	264	1,132	846	917	981	95	260	1,102	831	901	964
Interest Expense	73	74	378	318	344	367	71	74	373	317	340	362
Other Expenses	3	3	6	0	0	0	3	3	(8)	0	0	0
Taxes	7	66	263	190	206	221	7	65	258	185	202	217
Recurring Net Income	13	121	486	338	367	393	14	119	478	329	359	386
Diluted Wtd Avg shares outstanding	318	319	318	320	321	321	318	319	318	320	321	321
Recurring EPS - Diluted	0.042	0.381	$1.47	$1.06	$1.14	$1.22	$0.04	$0.37	$1.44	$1.03	$1.12	$1.20
Dividend per share	0.155	0.155	$0.73	$0.65	$0.68	$0.72	$0.16	$0.16	$0.73	$0.65	$0.68	$0.72

Source: Company data, Credit Suisse estimates

CREDIT SUISSE

Companies Mentioned *(Price as of 03-Aug-2015)*

Columbia Pipeline Group, Inc. (CPGX.N, $28.47, OUTPERFORM[V], TP $35.0)
Columbia Pipeline Partners, LP (CPPL.N, $22.25, OUTPERFORM[V], TP $30.0)
NiSource Inc. (NI.N, $17.07, OUTPERFORM, TP $19.0)

Disclosure Appendix

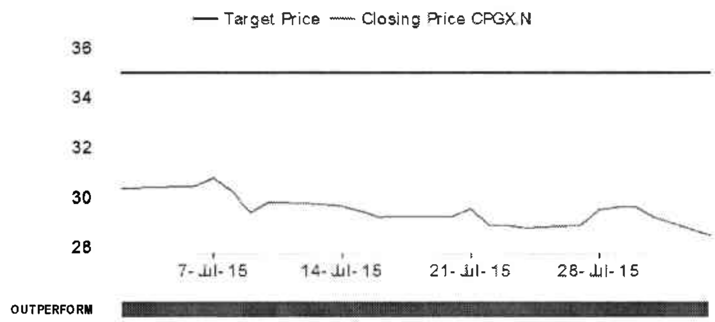
Important Global Disclosures

John Edwards, CFA, Bhavesh Lodaya and Abhiram Rajendran each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Columbia Pipeline Group, Inc. (CPGX.N)

CPGX.N Date	Closing Price (US$)	Target Price (US$)	Rating
02-Jul-15	30.34	35.00	O *

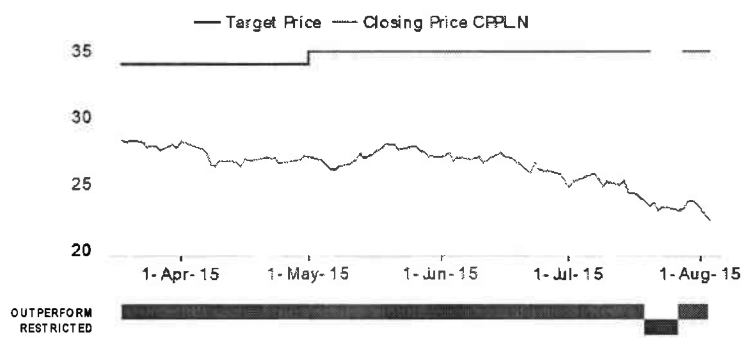
** Asterisk signifies initiation or assumption of coverage.*



3-Year Price and Rating History for Columbia Pipeline Partners, LP (CPPL.N)

CPPL.N Date	Closing Price (US$)	Target Price (US$)	Rating
18-Mar-15	28.24	34.00	O *
01-May-15	26.99	35.00	
20-Jul-15	23.30		R
28-Jul-15	23.13	35.00	O

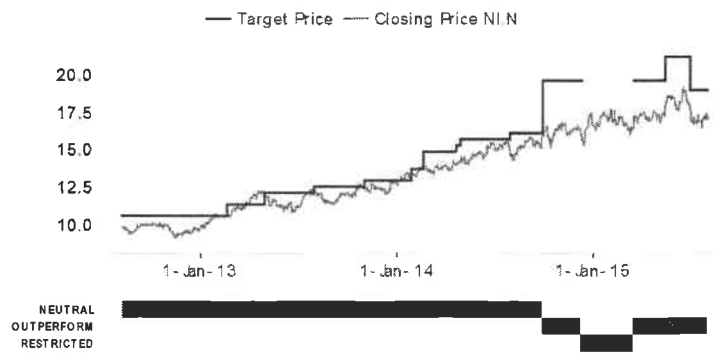
** Asterisk signifies initiation or assumption of coverage.*



CREDIT SUISSE

3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
09-Aug-12	9.92	10.61	N
20-Feb-13	10.63	11.40	
01-May-13	12.03	12.18	
01-Aug-13	12.22	12.57	
01-Nov-13	12.46	12.97	
28-Jan-14	13.43	13.75	
19-Feb-14	13.91	14.93	
21-Apr-14	14.03	15.33	
30-Apr-14	14.27	15.72	
31-Jul-14	14.81	16.11	
30-Sep-14	16.10	19.65	O
11-Dec-14	16.03		R
18-Mar-15	17.20	19.65	O
15-May-15	17.87	21.22	
02-Jul-15	16.99	19.00	



* *Asterisk signifies initiation or assumption of coverage.*

The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

As of December 10, 2012 Analysts' stock rating are defined as follows:

Outperform (O) : The stock's total return is expected to outperform the relevant benchmark*over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, the expected total return (ETR) calculation includes 12-month rolling dividend yield. An Outperform rating is assigned where an ETR is greater than or equal to 7.5%; Underperform where an ETR less than or equal to 5%. A Neutral may be assigned where the ETR is between -5% and 15%. The overlapping rating range allows analysts to assign a rating that puts ETR in the context of associated risks. Prior to 18 May 2015, ETR ranges for Outperform and Underperform ratings did not overlap with Neutral thresholds between 15% and 7.5%, which was in operation from 7 July 2011.*

Restricted (R) : In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

Volatility Indicator [V] : A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' sector weightings are distinct from analysts' stock ratings and are based on the analyst's expectations for the fundamentals and/or valuation of the sector* relative to the group's historic fundamentals and/or valuation:

Overweight : The analyst's expectation for the sector's fundamentals and/or valuation is favorable over the next 12 months.

Market Weight : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

Underweight : The analyst's expectation for the sector's fundamentals and/or valuation is cautious over the next 12 months.

**An analyst's coverage sector consists of all companies covered by the analyst within the relevant sector. An analyst may cover multiple sectors.*

CREDIT SUISSE

Credit Suisse's distribution of stock ratings (and banking clients) is:

Global Ratings Distribution

Rating	Versus universe (%)	Of which banking clients (%)
Outperform/Buy*	50%	(28% banking clients)
Neutral/Hold*	34%	(41% banking clients)
Underperform/Sell*	13%	(38% banking clients)
Restricted	3%	

For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.

Credit Suisse's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein.

Credit Suisse's policy is only to publish investment research that is impartial, independent, clear, fair and not misleading. For more detail please refer to Credit Suisse's Policies for Managing Conflicts of Interest in connection with Investment Research: http://www.csfb.com/research-and-analytics/disclaimer/managing_conflicts_disclaimer.html

Credit Suisse does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

Price Target: (12 months) for Columbia Pipeline Group, Inc. (CPGX.N)

Method: Our $35 TP is also derived from our 3-stage DDM (16.3%/19.8%/3%)

Risk: Risks to our target price include capital market risk, execution risk, tax treatment of MLPs and regulatory risk.

Price Target: (12 months) for Columbia Pipeline Partners, LP (CPPL.N)

Method: Our $30 target price is derived from our 3-stage DDM (20%/12%/2%) .

Risk: Risks to our $30 TP include: Execution Risk: Growth at the OpCo level is dependent on successful completion of CPG's backlog of growth projects. Inability to complete the the projects on time and within budget would adversely impact our projections for CPPL. Given the difficult commodity price environment, the most likely risk to project execution would be a scenario where customers attempt to renegotiate rate commitments or pull out of binding precedent agreements altogether. Capital Market Risk: As CPPL intends to issue large amounts of equity to finance its purchase of additional ownership interests / OpCo investments, a downturn in equity markets would adversely affect CPPL's ability to raise capital, or would force CPPL to issue more units at lower prices which would dilute unitholders. Interest rates are expected to rise in the coming year, and though CPPL has a relatively conservative balance sheet, any increase in rates would increase its cost of debt. Tax Treatment of MLPs: CPPL's ability to pay distributions may be hindered should the tax treatment of MLPs be changed. Although the discussion of taxing MLPs arises from time to time, we view such an event as a low probability. Regulatory, Environmental and Legal Risk: Columbia Gas and Columbia Gulf are FERC regulated natural gas transportation systems. Expansions to systems will likely require FERC and other regulatory agencies prior to commencing construction which could delay projects and costs could be higher to comply with regulations.

Price Target: (12 months) for NiSource Inc. (NI.N)

Method: Our stand-alone valuation for NI's utility businesses is based on our sum of the parts analysis. We utilize a 10x multiple on NI's Gas Distribution business and a 9x multiple on their Electric Operations business.

Risk: Risks to our $19 include regulatory risk and project execution.

Please refer to the firm's disclosure website at https://rave.credit-suisse.com/disclosures for the definitions of abbreviations typically used in the target price method and risk sections.

See the Companies Mentioned section for full company names

The subject company (NI.N, CPGX.N, CPPL.N) currently is, or was during the 12-month period preceding the date of distribution of this report, a client of Credit Suisse.

Credit Suisse provided investment banking services to the subject company (NI.N, CPGX.N, CPPL.N) within the past 12 months.

Credit Suisse has managed or co-managed a public offering of securities for the subject company (NI.N, CPGX.N, CPPL.N) within the past 12 months.

Credit Suisse has received investment banking related compensation from the subject company (NI.N, CPGX.N, CPPL.N) within the past 12 months

CREDIT SUISSE

Credit Suisse expects to receive or intends to seek investment banking related compensation from the subject company (NI.N, CPGX.N, CPPL.N) within the next 3 months.

As of the date of this report, Credit Suisse makes a market in the following subject companies (NI.N).

Important Regional Disclosures

Singapore recipients should contact Credit Suisse AG, Singapore Branch for any matters arising from this research report.

The analyst(s) involved in the preparation of this report have not visited the material operations of the subject company (NI.N, CPGX.N, CPPL.N) within the past 12 months

Restrictions on certain Canadian securities are indicated by the following abbreviations: NVS–Non-Voting shares; RVS--Restricted Voting Shares; SVS–Subordinate Voting Shares.

Individuals receiving this report from a Canadian investment dealer that is not affiliated with Credit Suisse should be advised that this report may not contain regulatory disclosures the non-affiliated Canadian investment dealer would be required to make if this were its own report.

For Credit Suisse Securities (Canada), Inc.'s policies and procedures regarding the dissemination of equity research, please visit https://www.credit-suisse.com/sites/disclaimers-ib/en/canada-research-policy.html.

Credit Suisse has acted as lead manager or syndicate member in a public offering of securities for the subject company (NI.N, CPGX.N, CPPL.N) within the past 3 years.

As of the date of this report, Credit Suisse acts as a market maker or liquidity provider in the equities securities that are the subject of this report.

Principal is not guaranteed in the case of equities because equity prices are variable.

Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that.

For Credit Suisse disclosure information on other companies mentioned in this report, please visit the website at https://rave.credit-suisse.com/disclosures or call +1 (877) 291-2683.

CREDIT SUISSE

References in this report to Credit Suisse include all of the subsidiaries and affiliates of Credit Suisse operating under its investment banking division. For more information on our structure, please use the following link: https://www.credit-suisse.com/who-we-are This report may contain material that is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Credit Suisse AG or its affiliates ("CS") to any registration or licensing requirement within such jurisdiction. All material presented in this report, unless specifically indicated otherwise, is under copyright to CS. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of CS. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of CS or its affiliates. The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. CS may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. CS will not treat recipients of this report as its customers by virtue of their receiving this report. The investments and services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. CS does not advise on the tax consequences of investments and you are advised to contact an independent tax adviser. Please note in particular that the bases and levels of taxation may change. Information and opinions presented in this report have been obtained or derived from sources believed by CS to be reliable, but CS makes no representation as to their accuracy or completeness. CS accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that such liability arises under specific statutes or regulations applicable to CS. This report is not to be relied upon in substitution for the exercise of independent judgment. CS may have issued, and may in the future issue, other communications that are inconsistent with, and reach different conclusions from, the information presented in this report. Those communications reflect the different assumptions, views and analytical methods of the analysts who prepared them and CS is under no obligation to ensure that such other communications are brought to the attention of any recipient of this report. Some investments referred to in this report will be offered solely by a single entity and in the case of some investments solely by CS, or an associate of CS or CS may be the only market maker in such investments. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by CS and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADR's, the values of which are influenced by currency volatility, effectively assume this risk. Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct their own investigation and analysis of the product and consult with their own professional advisers as to the risks involved in making such a purchase. Some investments discussed in this report may have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realised. Those losses may equal your original investment. Indeed, in the case of some investments the potential losses may exceed the amount of initial investment and, in such circumstances, you may be required to pay more money to support those losses. Income yields from investments may fluctuate and, in consequence, initial capital paid to make the investment may be used as part of that income yield. Some investments may not be readily realisable and it may be difficult to sell or realise those investments, similarly it may prove difficult for you to obtain reliable information about the value, or risks, to which such an investment is exposed. This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of CS, CS has not reviewed any such site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to CS's own website material) is provided solely for your convenience and information and the content of any such website does not in any way form part of this document. Accessing such website or following such link through this report or CS's website shall be at your own risk. This report is issued and distributed in Europe (except Switzerland) by Credit Suisse Securities (Europe) Limited, One Cabot Square, London E14 4QJ, England, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. This report is being distributed in Germany by Credit Suisse Securities (Europe) Limited Niederlassung Frankfurt am Main regulated by the Bundesanstalt fuer Finanzdienstleistungsaufsicht ("BaFin"). This report is being distributed in the United States and Canada by Credit Suisse Securities (USA) LLC; in Switzerland by Credit Suisse AG; in Brazil by Banco de Investimentos Credit Suisse (Brasil) S.A or its affiliates; in Mexico by Banco Credit Suisse (México), S.A. (transactions related to the securities mentioned in this report will only be effected in compliance with applicable regulation); in Japan by Credit Suisse Securities (Japan) Limited, Financial Instruments Firm, Director-General of Kanto Local Finance Bureau (*Kinsho*) No. 66, a member of Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association; elsewhere in Asia/ Pacific by whichever of the following is the appropriately authorised entity in the relevant jurisdiction: Credit Suisse (Hong Kong) Limited, Credit Suisse Equities (Australia) Limited, Credit Suisse Securities (Thailand) Limited, regulated by the Office of the Securities and Exchange Commission, Thailand, having registered address at 990 Abdulrahim Place, 27th Floor, Unit 2701, Rama IV Road, Silom, Bangrak, Bangkok 10500, Thailand, Tel. +66 2614 6000, Credit Suisse Securities (Malaysia) Sdn Bhd, Credit Suisse AG, Singapore Branch, Credit Suisse Securities (India) Private Limited (CIN no. U67120MH1996PTC104392) regulated by the Securities and Exchange Board of India (registration Nos. INB230970637; INF230970637; INB010970631; INF010970631), having registered address at 9th Floor, Ceejay House, Dr.A.B. Road, Worli, Mumbai - 18, India, T- +91-22 6777 3777, Credit Suisse Securities (Europe) Limited, Seoul Branch, Credit Suisse AG, Taipei Securities Branch, PT Credit Suisse Securities Indonesia, Credit Suisse Securities (Philippines) Inc., and elsewhere in the world by the relevant authorised affiliate of the above. Research on Taiwanese securities produced by Credit Suisse AG, Taipei Securities Branch has been prepared by a registered Senior Business Person. Research provided to residents of Malaysia is authorised by the Head of Research for Credit Suisse Securities (Malaysia) Sdn Bhd, to whom they should direct any queries on +603 2723 2020. This report has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (each as defined under the Financial Advisers Regulations) only, and is also distributed by Credit Suisse AG, Singapore branch to overseas investors (as defined under the Financial Advisers Regulations). By virtue of your status as an institutional investor, accredited investor, expert investor or overseas investor, Credit Suisse AG, Singapore branch is exempted from complying with certain compliance requirements under the Financial Advisers Act, Chapter 110 of Singapore (the "FAA"), the Financial Advisers Regulations and the relevant Notices and Guidelines issued thereunder, in respect of any financial advisory service which Credit Suisse AG, Singapore branch may provide to you. This information is being distributed by Credit Suisse AG, Dubai Branch, duly licensed and regulated by the Dubai Financial Services Authority (DFSA), and is directed at Professional Clients or Market Counterparties only, as defined by the DFSA. The financial products or financial services to which the information relates will only be made available to a client who meets the regulatory criteria to be a Professional Client or Market Counterparty only, as defined by the DFSA, and is not intended for any other person. This research may not conform to Canadian disclosure requirements. In jurisdictions where CS is not already registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation, which will vary from jurisdiction to jurisdiction and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements. Non-U.S. customers wishing to effect a transaction should contact a CS entity in their local jurisdiction unless governing law permits otherwise. U.S. customers wishing to effect a transaction should do so only by contacting a representative at Credit Suisse Securities (USA) LLC in the U.S. Please note that this research was originally prepared and issued by CS for distribution to their market professional and institutional investor customers. Recipients who are not market professional or institutional investor customers of CS should seek the advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents. This research may relate to investments or services of a person outside of the UK or to other matters which are not authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority or in respect of which the protections of the Prudential Regulation Authority and Financial Conduct Authority for private customers and/or the UK compensation scheme may not be available, and further details as to where this may be the case are available upon request in respect of this report. CS may provide various services to US municipal entities or obligated persons ("municipalities"), including suggesting individual transactions or trades and entering into such transactions. Any services CS provides to municipalities are not viewed as "advice" within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. CS is providing any such services and related information solely on an arm's length basis and not as an advisor or fiduciary to the municipality. In connection with the provision of the any such services, there is no agreement, direct or indirect, between any municipality (including the officials, management, employees or agents thereof) and CS for CS to provide advice to the municipality. Municipalities should consult with their financial, accounting and legal advisors regarding any such services provided by CS. In addition, CS is not acting for direct or indirect compensation to solicit the municipality on behalf of an unaffiliated broker, dealer, municipal securities dealer, municipal advisor, or investment adviser for the purpose of obtaining or retaining an engagement by the municipality for or in connection with Municipal Financial Products, the issuance of municipal securities, or of an investment adviser to provide investment advisory services to or on behalf of the municipality. If this report is being distributed by a financial institution other than Credit Suisse AG, or its affiliates, that financial institution is solely responsible for distribution. Clients of that institution should contact that institution to effect a transaction in the securities mentioned in this report or require further information. This report does not constitute investment advice by Credit Suisse to the clients of the distributing financial institution, and neither Credit Suisse AG, its affiliates, and their respective officers, directors and employees accept any liability whatsoever for any direct or consequential loss arising from their use of this report or its content. Principal is not guaranteed. Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that.

Investment principal on bonds can be eroded depending on sale price or market price. In addition, there are bonds on which investment principal can be eroded due to changes in redemption amounts. Care is required when investing in such instruments.

When you purchase non-listed Japanese fixed income securities (Japanese government bonds, Japanese municipal bonds, Japanese government guaranteed bonds, Japanese corporate bonds) from CS as a seller, you will be requested to pay the purchase price only.

HILLIARD LYONS

Electric Utilities
Analyst: David Burks
502.588.8648 / DBurks@hilliard.com
Institutional Sales Desk: Tim Rexing
502.585.8509 / TRexing@hilliard.com
J.J.B. Hilliard, W.L. Lyons, LLC
August 4, 2015

COMPANY UPDATE

Key Metrics

NI - NYSE (Price as of 8/3/15)		$17.07
Price Target		NA
52-Week Range		$19.32 - $14.15
Shares Outstanding (mm)		317.5
Market Cap. ($mm)		$5,419
3-Mo. Average Daily Volume		6,026,000
Institutional Ownership		80.0%
Debt/Total Capital		61.8%
ROE (ttm)		9.2%
Book Value/Share		$18.34
Price/Book Value		2.4x
Indicated Dividend / Yield	$0.62	3.6%
Dividend Cycle		Feb., May, Aug., Nov.

EPS FY 12/31

	2014	Prior 2015E	Curr. 2015E	Prior 2015E	Curr. 2016E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$1.72		$1.43		$1.06
P/E	9.9x		11.9x		16.1x
Payout	63%		43%		58%

Note: Figures exclude non-recurring items

Revenue ($mm)

	2014	Prior 2015E	Curr. 2015E	Prior 2016E	Curr. 2016E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$6,470		$5,750	--	$5,400

Company Description: *Based in Merrillville, Ind., NiSource Inc. is one of the largest fully-regulated utility companies in the United States, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands.*

NiSource Inc.

NI -- NYSE -- Neutral -- 2

Company reports second quarter results; Columbia Pipeline separation occurred on July 1

Investment Highlights

- **NiSource reported second quarter operating earnings of $0.18 per share versus $0.25 per share in the second quarter of 2014.** Earnings were modestly below the consensus estimate of $0.21 per share. The primary reason for the lower year-over-year earnings was additional interest expense related to Columbia Pipeline Group's long-term debt issuance prior to its separation from NiSource. Earnings from NiSource's gas distribution business were $55.6 million in the second quarter compared to $62.5 million in the year ago period. Earnings were negatively impacted by higher operating expenses. The company's electric operations segment contributed second quarter earnings of $55.6 million versus $59.8 million in last year's second quarter. Revenues declined due to decreased industrial, residential and commercial usage.
- **Columbia Pipeline Group separation completed on July 1st.** NiSource shareholders received one share of Columbia Pipeline for every one share of NiSource common stock they held. Columbia Pipeline trades on the New York Stock Exchange under the symbol CPGX. We do not have research coverage of Columbia Pipeline.
- **NiSource remains a large natural gas and electric utility.** It serves more than 3.5 million natural gas customers and 500,000 electric customers. Management reaffirmed its goal of growing both its earnings and dividends by 4% to 6% annually. This potential growth is supported by multiple infrastructure opportunities in the coming years. NI believes it has as much as $30 billion of expected infrastructure enhancements over the next 20 years which could drive future growth.
- **We have a Neutral rating on NiSource.** However, we believe the company has a solid fundamental outlook. In our view, the company's potential infrastructure investments could drive earnings and dividend growth making NiSource a worthwhile holding.

Note Important Disclosures on Pages 2 and 3.
Note Analyst Certification on Page 2.

Price of other stocks mentioned: Columbia Pipeline Group (CPGX-$28.47).

Additional information is available upon request.

Analyst Certification

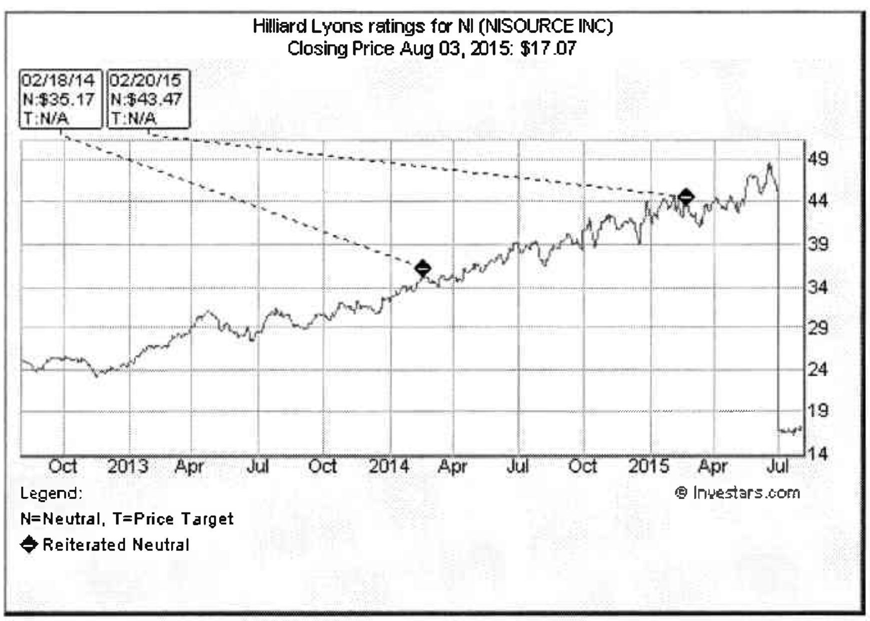
I, David B. Burks, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Investment Ratings
Buy - We believe the stock has significant total return potential in the coming 12 months.
Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues.
Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.
Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Suitability Ratings
1 - A large cap, core holding with a solid history
2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks
3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage
4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	41	36%	10%	90%
Hold/Neutral	67	58%	3%	97%
Sell	5	4%	0%	100%
Restricted	2	2%	100%	0%

As of 1 July 2015

Other Disclosures

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

J.J.B. Hilliard, W.L. Lyons, LLC is a multi-disciplined financial services firm that regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as placement agent in private transactions.

The information herein has been obtained from sources we believe to be reliable but is not guaranteed and does not purport to be a complete statement of all material factors. This is for informational purposes and is not a solicitation of orders to purchase or sell securities. Reproduction is forbidden unless authorized.

FLASH NOTE

Company Update

USA | Energy | Natural Gas

August 3, 2015

Jefferies

NiSource Inc. (NI)

Final Consolidated Quarter Falls A Little Flat

HOLD

Price target $17.00
Price $17.46

EQUITY RESEARCH AMERICAS

Key Takeaway

NI realized 2Q15 recurring diluted EPS of 16¢ (excl. asset sale gains), below our 22¢ estimate & the Street's 22¢ mean forecast; EBITDA of $378mm was also below our $391mm projection on weaker results across all segments. NiSource completed a tax-free separation of CPGX on July 1st, and beginning in 3Q will no longer include reported midstream results. Mgmt affirmed its 2016 non-GAAP EPS guidance of $1.00-$1.10 & 4-6% long-term EPS & DPS growth rates.

Columbia Pipeline Group. CPG's $100mm 2Q operating income (excl. asset sale gains) fell below our $113mm expectation. CPG announced in June it was moving its Gulf XPress & Mountaineer XPress projects into execution. These projects will provide a combined 3.6 Bcf/d of capacity on CPG's transportation system and cost approx. $2.7B, with targeted in-service in 4Q18. In addition, mgmt announced its new Gibralter project, a $275mm, 1 Bcf/d, project to move Utica dry gas in southwest PA. CPG is also now in the 3rd year of its system modernization program on Columbia Gas Transmission and expects to make ~$300mm in investments in 2015. Recovery on $320mm of 2014 investments began in February.

Regulated Businesses. The gas utilities posted 2Q operating income of ~$56mm, shy of our ~$69mm estimate & below 2Q14's $62.5mm, due primarily to higher operating costs. The electric operations (NIPSCO) reported 2Q operating income of $56.6mm, also below our ~$61mm estimate, due to a slightly lower gross margin and higher depreciation.

CPGX separation & regulation update. Following the CPGX spin on July 1st, NI is now a fully-regulated distribution company, though 2Q results did include midstream results as separation occurred on the first day of 3Q. In April, Columbia Gas of MA filed a rate case seeking a $49.3mm increase in base rates with a 10.95% ROE & $590mm rate base; a settlement is expected to be filed with the MA DPU this month. Columbia Gas of PA filed a case in March seeking a $46.2mm increase in base rates with a 10.95% ROE & $1.325B rate base; a decision is expected by year-end.

NIPSCO update. In late May, NIPSCO filed a settlement with related parties to address issues associated with its 7-yr modernization plan. Under the settlement, NIPSCO is to file a new base rate case by 12/31/15 to recover costs previously recovered under the initial 7-yr program since 3/1/14, which will be refunded to customers (amounts to $0.8mm). NIPSCO is then required to re-file its 7-yr program following the rate case, with associated costs to be recovered under the associated rider program.

Dial-in for the Call: Today @ 9:00am ET. Dial-in: 855.219.9570; Passcode: 8869661.

NI 2Q15 Results Review:

Operating Income by Division	Actual 2Q15A	JEFe 2Q15E		Year-over-Year 2Q14A	
Gas Distribution	$55.6	$69.3	-19.7%	$62.5	-11.0%
Columbia Pipeline Group	$100.3	$112.5	-10.9%	$103.4	-3.0%
Electric Operations	$56.6	$61.0	-7.2%	$59.8	-5.4%
Corporate, Other, and Eliminations	($8.7)	($7.9)	NA	($6.9)	-26.1%
Total Operating Income	$203.8	$234.9	-13.2%	$218.8	-6.9%
Depreciation	($167.4)	($154.1)	8.6%	($149.1)	12.3%
Other Income / (Expenses)	$6.5	$2.0	225.0%	$7.5	-13.3%
Interest Expense	($117.1)	($117.6)	-0.4%	($109.1)	7.3%
Minority Interest (Public LP in CPPL)	($8.7)	($9.1)	-4.2%	NA	
Income Tax Benefit (Expense)	($33.1)	($40.2)	-17.7%	($39.4)	-15.9%
Recurring Net Income	$51.4	$70.0	-26.5%	$77.8	-34.0%
Avg Diluted Shares Outstanding	317.5	318.1	-0.2%	316.1	0.4%
Earnings Per Diluted Share	$0.16	$0.22	-26.4%	$0.25	-34.2%
EBITDA ($MM)	$378	$391	-3.4%	$375	0.6%
Capex & Affiliate Investments	$583	$324	80.1%	$490	18.8%

Source: NiSource reports & Jefferies estimates

Christopher Sighinolfi, CFA *
Equity Analyst
(212) 707-6420 csighino@jefferies.com
Christopher Tillett *
Equity Associate
(212) 284-4697 ctillett@jefferies.com
Corey Goldman *
Equity Associate
(212) 284-3411 cgoldma1@jefferies.com
* Jefferies LLC

Company Description

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4 million US customers. The Company operates through three segments: Gas Distribution, Columbia Pipeline Group, and Electric. The Gas Distribution operations provide natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. Columbia Pipeline Group offers gas transportation and storage services for Local distribution companies, marketers and industrial and commercial customers located in Northeastern, Mid-Atlantic, Midwestern and Southern states. The Electric Operations segment provides electric service in various counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

Analyst Certification:

I, Christopher Sighinolfi, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Christopher Tillett, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Corey Goldman, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

Explanation of Jefferies Ratings

Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/ or Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

Monitor - Describes securities whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

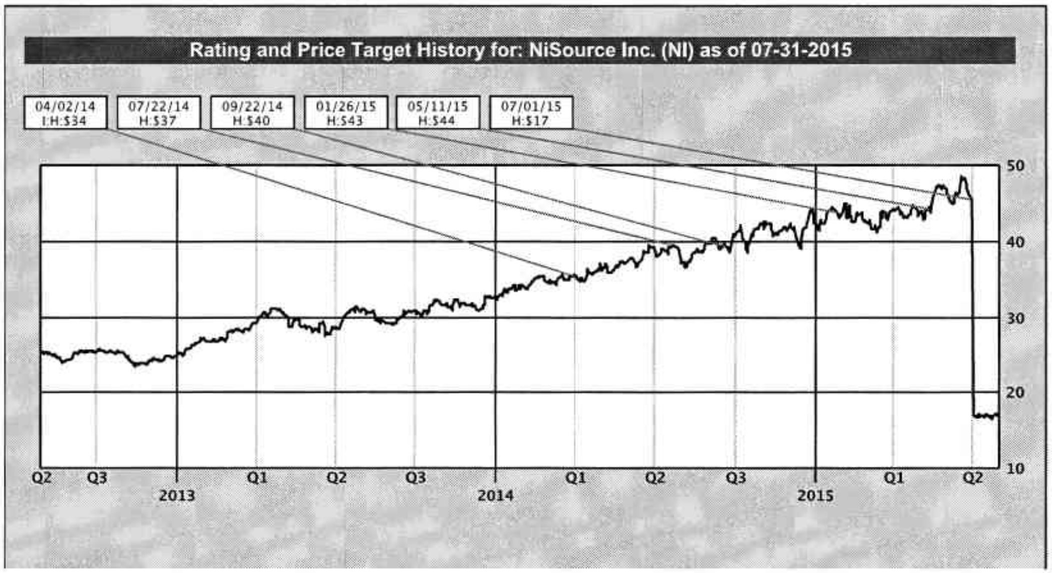
Jefferies Franchise Picks

Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

 Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Risks which may impede the achievement of our Price Target

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.



Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	1101	53.06%	307	27.88%
HOLD	825	39.76%	161	19.52%
UNDERPERFORM	149	7.18%	13	8.72%

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Other Important Disclosures

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC ("Jefferies") group companies:

United States: Jefferies LLC which is an SEC registered firm and a member of FINRA.

United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

India: Jefferies India Private Limited (CIN - U74140MH2007PTC200509), which is licensed by the Securities and Exchange Board of India as a Merchant Banker (INM000011443), Research Analyst (INH000000701) and a Stock Broker with Bombay Stock Exchange Limited (INB011491033) and National Stock Exchange of India Limited (INB231491037) in the Capital Market Segment; located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051, India; Tel +91 22 4356 6000.

This material has been prepared by Jefferies employing appropriate expertise, and in the belief that it is fair and not misleading. The information set forth herein was obtained from sources believed to be reliable, but has not been independently verified by Jefferies. Therefore, except for any obligation under applicable rules we do not guarantee its accuracy. Additional and supporting information is available upon request. Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this material is distributed in the United States ("US"), by Jefferies LLC, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic Area this report is issued and/or approved for distribution by Jefferies International Limited and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed. Jefferies International Limited has adopted a conflicts management policy in connection with the preparation and publication of research, the details of which are available upon request in writing to the Compliance Officer. Jefferies International Limited may allow its analysts to undertake private consultancy work. Jefferies International Limited's conflicts management policy sets out the arrangements Jefferies International Limited employs to manage any potential conflicts of interest that may arise as a result of such consultancy work. For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, this material is provided by Jefferies Singapore Limited pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Cap. 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact Jefferies Singapore Limited, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the PRC. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India this report is made available by Jefferies India Private Limited. In Australia this information is issued solely by Jefferies International Limited and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies International Limited is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. Jefferies International Limited has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services licence under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, its associates or affiliates, and its respective officers, directors, and employees may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. Upon request Jefferies may provide specialized research products or services to certain customers focusing on the prospects for individual covered stocks as compared to other covered stocks over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, the analyst has a reasonable basis and any inconsistencies can be reasonably explained. This material does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments. This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of securities. None of Jefferies, any of its affiliates or its research analysts has any authority whatsoever to make any representations or warranty on behalf of the issuer(s). Jefferies policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior

to the publication of a research report containing such rating, recommendation or investment thesis. Any comments or statements made herein are those of the author(s) and may differ from the views of Jefferies.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Jefferies research reports are disseminated and available primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Jefferies. Neither Jefferies nor any officer nor employee of Jefferies accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

For Important Disclosure information, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 1.888.JEFFERIES

KeyBanc
Capital Markets

Alert

August 3, 2015

ENERGY: Multi-Utilities

NYSE: NI

NiSource Inc. (Overweight)

NI - ALERT: 2Q15 Earnings Results Impacted by Business Separation

Paul T. Ridzon / (216) 689-0270 / pridzon@key.com

John Barta / (216) 689-3386 / john_j_barta@key.com

Key Investment Points

July 31, 2015 Close: $17.46
2Q15 Ongoing EPS: $0.18 vs. $0.25 in 2Q14/consensus of $0.22/KBCM of $0.22. NI excludes weather impacts from its non-GAAP number.
Initial Take: We expect a potentially modest negative response, buffered by the fact that the miss was in part due to costs associated with the now separated (as of July 1) Columbia Pipeline Group.
2015 EPS Estimate: $1.40 (Consensus: $1.46)
2016 EPS Estimate: $1.05 (Consensus: $1.17)

Guidance: NiSource Inc. reaffirmed prior 2016 guidance of $1.00-$1.10 per share and a long-term EPS and dividend growth rate of 4-6%, backed by $30 billion of long-term investment opportunity.

Highlights:

- NiSource Gas Distribution operating earnings were $55.6 million vs. $62.5 million. Net revenues rose $17.3 million, driven by increased regulatory and service programs, including new rates in Ohio, Pennsylvania and Virginia. Expenses rose $24 million on employee, depreciation, taxes and outside service costs.
- Columbia Pipeline Group reported operating earnings of $108.6 million vs. $103.7 million. Revenues were up $20.5 million due to higher demand margin revenue as a result of growth projects placed into service and new firm contracts partly offset by reduced mineral royalties. Expenses rose $18.2 million due to higher outside services costs, increased employee and administrative costs and higher depreciation. Equity earnings increased by $2.6 million.
- Electric operations operating earnings were $56.6 million vs. $59.8 million. Revenues fell $1.8 million on reduced retail sales volumes, partly offset by environmental recovery. Expenses increased $1.4 million on higher depreciation, partly offset by lower generation costs. Retail sales volumes fell 6.5%.
- Corporate costs rose to $8.7 million vs. $6.9 million on employee costs.
- Interest costs rose to $117.1 million vs. $109.1 million (roughly $0.02) on long-term debt as part of the recapitalization related to the business separation. The effective tax rate was 35.5% vs. 33.7%.
- Payments to noncontrolling interests had a roughly $0.03 per share negative impact. These will not recur given the corporate separation.

9:00 a.m. ET Conference Call #: (855)-219-9570 ID#: 88696661

We will be focused on:

- Expense timing.
- Electricity demand trends.

Disclosure Appendix

NiSource Inc. - NI

We have managed or co-managed a public offering of securities for NiSource Inc. within the past 12 months.

NiSource Inc. is an investment banking client of ours.

We have received compensation for investment banking services from NiSource Inc. during the past 12 months.

We expect to receive or intend to seek compensation for investment banking services from NiSource Inc. within the next three months.

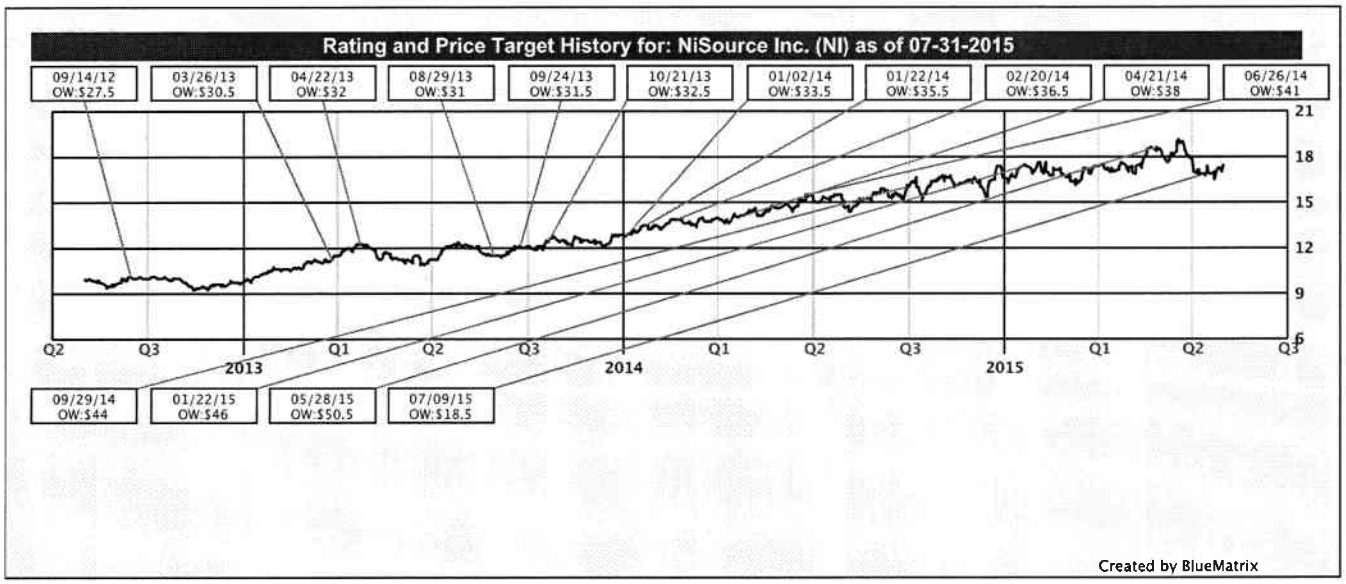
During the past 12 months, NiSource Inc. has been a client of the firm or its affiliates for non-securities related services.

As of the date of this report, we make a market in NiSource Inc..

Reg A/C Certification

The research analyst(s) responsible for the preparation of this research report certifies that:(1) all the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this research report.

Three-Year Rating and Price Target History



Rating Disclosures

Distribution of Ratings/IB Services Firmwide and by Sector

KeyBanc Capital Markets			IB Serv/Past 12 Mos.		**ENERGY**			IB Serv/Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**	**Rating**	**Count**	**Percent**	**Count**	**Percent**
Overweight [OW]	355	45.63	84	23.66	**Overweight [OW]**	40	44.44	22	55.00
Sector Weight [SW]	407	52.31	66	16.22	**Sector Weight [SW]**	50	55.56	23	46.00
Underweight [UW]	16	2.06	0	0.00	**Underweight [UW]**	0	0.00	0	0.00

Disclosure Appendix (cont'd)

Rating System

Overweight - We expect the stock to outperform the analyst's coverage sector over the coming 6-12 months.

Sector Weight - We expect the stock to perform in line with the analyst's coverage sector over the coming 6-12 months.

Underweight - We expect the stock to underperform the analyst's coverage sector over the coming 6-12 months.

Note: KeyBanc Capital Markets changed its rating system after market close on February 27, 2015. The previous ratings were Buy, Hold and Underweight. Additionally, Pacific Crest Securities changed its rating system to match KeyBanc Capital Markets' rating system after market close on April 10, 2015, in conjunction with the merger of the broker dealers. The previous ratings were Outperform, Sector Perform and Underperform.

Other Disclosures

KeyBanc Capital Markets is a trade name under which corporate and investment banking products and services of KeyCorp and its subsidiaries, KeyBanc Capital Markets Inc., Member NYSE/FINRA/SIPC ("KBCMI"), and KeyBank National Association ("KeyBank N.A."), are marketed. Pacific Crest Securities is a division of KeyBanc Capital Markets Inc.

KeyBanc Capital Markets Inc. ("KBCMI") does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

This report has been prepared by KBCMI. The material contained herein is based on data from sources considered to be reliable; however, KBCMI does not guarantee or warrant the accuracy or completeness of the information. It is published for informational purposes only and should not be used as the primary basis of investment decisions. Neither the information nor any opinion expressed constitutes an offer, or the solicitation of an offer, to buy or sell any security. The opinions and estimates expressed reflect the current judgment of KBCMI and are subject to change without notice. This report may contain forward-looking statements, which involve risk and uncertainty. Actual results may differ significantly from the forward-looking statements. This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the specific needs of any person or entity.

No portion of an analyst's compensation is based on a specific banking transaction; however, part of his/her compensation may be based upon overall firm revenue and profitability, of which investment banking is a component. Individuals associated with KBCMI (other than the research analyst(s) listed on page 1 of this research report) may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by NASD Rule 2711(h)(1)(A), financial interest, if any, by any research analysts listed on page 1 of this report will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosure Appendix. KBCMI itself may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by NASD Rule 2711(h)(1)(B), if KBCMI beneficially owns 1% or more of any class of common equity securities of the subject company(ies) in this research report as of the end of the month immediately preceding the date of publication of this research report will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosures Appendix. This communication is intended solely for use by KBCMI clients. The recipient agrees not to forward or copy the information to any other person without the express written consent of KBCMI.

Paul T. Ridzon
(216) 689-0270 / pridzon@key.com

NiSource Inc NI [NYSE] ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
17.07 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

NiSource Reaffirms 2016 Guidance Following Separation From Columbia Pipeline Group

Charles Fishman, CFA
Equity Analyst
charles.fishman@morningstar.com
312-696-6523

The primary analyst covering this company does not own its stock.

Research as of 04 Aug 2015
Estimates as of 30 Jun 2015
Pricing data through 03 Aug 2015
Rating updated as of 03 Aug 2015

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Analyst Note 04 Aug 2015

We are reaffirming our narrow moat and stable moat trend ratings and $16 per share fair value estimate after NiSource reaffirmed its 2016 EPS guidance of $1.00-$1.10 in its first earnings release following the separation of Columbia Pipeline Group. Our 2016 EPS estimate of $1.06 is unchanged. Management also reiterated its long-term annual earnings and dividend growth outlook of 4%-6%.

NiSource reported 2015 second-quarter operating earnings of $0.18 per share versus $0.25 per share in the same period last year. Second-quarter results include CPG, which completed its separation from NiSource on July 1. Operating earnings for the recently ended quarter were lower primarily due to additional interest expense related to CPG's debt issuance prior to its separation and the impact of non-controlling interest from Columbia Pipeline Partners due to its IPO in February. Therefore, consolidated results for the quarter are not indicative of results for NiSource without CPG going forward.

Management discussed two new regulatory items during the earnings call. First, a settlement is expected to be filed later this month in the Columbia Gas of Massachusetts base rate case. The revenue request was for $49 million, but management declined to provide details of the settlement until it had been filed with the Massachusetts regulatory commission. Second, NIPSCO expects to file a electric base rate case in Indiana in the fourth quarter, somewhat earlier than we had expected. The settlement and earlier Indiana filing do not have a material impact on our fair value estimate.

Vital Statistics

Market Cap (USD Mil)	5,418
52-Week High (USD)	19.31
52-Week Low (USD)	14.14
52-Week Total Return %	23.0
YTD Total Return %	6.5
Last Fiscal Year End	31 Dec 2014
5-Yr Forward Revenue CAGR %	0.8
5-Yr Forward EPS CAGR %	-0.3
Price/Fair Value	1.07

Valuation Summary and Forecasts

Fiscal Year:	2013	2014	*2015(E)*	*2016(E)*
Price/Earnings	8.2	9.9	*11.4*	*16.1*
EV/EBITDA	11.0	12.6	*10.3*	*9.7*
EV/EBIT	16.7	18.8	*17.0*	*15.8*
Free Cash Flow Yield %	-4.4	-5.3	*-2.0*	*-6.3*
Dividend Yield %	3.0	2.4	*4.9*	*3.8*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2013	2014	*2015(E)*	*2016(E)*
Revenue	5,657	6,471	*5,297*	*5,522*
Revenue YoY %	11.8	14.4	*-18.1*	*4.3*
EBIT	1,126	1,231	*830*	*891*
EBIT YoY %	8.4	9.3	*-32.6*	*7.4*
Net Income, Adjusted	494	534	*483*	*344*
Net Income YoY %	13.0	8.1	*-9.5*	*-28.7*
Diluted EPS	1.58	1.69	*1.50*	*1.06*
Diluted EPS YoY %	8.3	7.0	*-10.9*	*-29.2*
Free Cash Flow	-379	-602	*3,900*	*-118*
Free Cash Flow YoY %	-637.2	58.7	*-747.8*	*-103.0*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with 3.4 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. NiSource's electric utility transmits and distributes electricity in northern Indiana. The regulated electric utility also owns almost 3,300 MW of generation capacity, most of which is coal-fired. In 2014, the company generated 77% of the electricity it sold to customers.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
17.07 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2012	2013	2014	Forecast 2015	Forecast 2016	5-Year Proj. CAGR
Revenue	2.4	-15.9	11.8	14.4	-18.1	4.3	0.8
EBIT	10.1	12.7	8.4	9.3	-32.6	7.4	2.0
EBITDA	7.9	9.6	6.4	7.8	-25.6	6.9	2.0
Net Income	11.1	12.4	13.0	8.1	-9.5	-28.7	1.0
Diluted EPS	7.7	7.9	8.3	7.0	-10.9	-29.2	-0.3
Earnings Before Interest, after Tax	2.2	4.1	-1.0	3.6	-37.8	20.5	-2.4
Free Cash Flow	-434.6	339.3	-637.2	58.7	-747.8	-103.0	—

Profitability	3-Year Hist. Avg	2012	2013	2014	2015	2016	5-Year Proj. Avg
Operating Margin %	19.8	20.5	19.9	19.0	15.7	16.1	17.3
EBITDA Margin %	30.0	31.6	30.1	28.4	25.8	26.5	27.5
Net Margin %	8.5	8.6	8.7	8.3	9.1	6.2	7.4
Free Cash Flow Margin %	-4.9	1.4	-6.7	-9.3	73.6	-2.1	13.1
ROIC %	5.7	5.8	5.7	5.7	3.7	5.0	4.5
Adjusted ROIC %	7.2	7.4	7.1	7.0	4.6	6.4	5.7
Return on Assets %	2.2	2.0	2.4	2.2	2.1	1.6	1.9
Return on Equity %	8.7	7.9	9.3	8.8	7.7	5.3	6.5

Leverage	3-Year Hist. Avg	2012	2013	2014	2015	2016	5-Year Proj. Avg
Debt/Capital	0.60	0.59	0.60	0.62	0.51	0.52	0.53
Total Debt/EBITDA	5.23	5.06	5.19	5.45	4.90	4.93	4.77
EBITDA/Interest Expense	4.02	3.83	4.11	4.14	3.27	4.04	3.84

Valuation Summary and Forecasts

	2013	2014	2015(E)	2016(E)
Price/Fair Value	1.22	1.33	—	—
Price/Earnings	8.2	9.9	11.4	16.1
EV/EBITDA	11.0	12.6	10.3	9.7
EV/EBIT	16.7	18.8	17.0	15.8
Free Cash Flow Yield %	-4.4	-5.3	-2.0	-6.3
Dividend Yield %	3.0	2.4	4.9	3.8

Key Valuation Drivers

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	5.8
Long-Run Tax Rate %	35.0
Stage II EBI Growth Rate %	3.0
Stage II Investment Rate %	51.7
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	3,263	21.0	10.13
Present Value Stage II	2,912	18.7	9.04
Present Value Stage III	9,383	60.3	29.13
Total Firm Value	**15,557**	**100.0**	**48.29**
Cash and Equivalents	80	—	0.25
Debt	-9,999	—	-31.04
Preferred Stock	—	—	—
Other Adjustments	-470	—	-1.46
Equity Value	**5,168**	—	**16.04**
Projected Diluted Shares	322		
Fair Value per Share (USD)	—		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
17.07 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in December

				Forecast	
	2012	2013	2014	*2015*	*2016*
Revenue	**5,061**	**5,657**	**6,471**	***5,297***	***5,522***
Cost of Goods Sold	1,542	1,816	2,224	*2,258*	*2,345*
Gross Profit	**3,520**	**3,842**	**4,246**	***3,038***	***3,178***
Selling, General & Administrative Expenses	1,663	1,874	2,136	*1,416*	*1,459*
Other Operating Expense (Income)	288	301	320	*245*	*253*
Other Operating Expense (Income)	-32	-36	-47	*10*	*5*
Depreciation & Amortization (if reported separately)	562	577	606	*536*	*570*
Operating Income (ex charges)	**1,039**	**1,126**	**1,231**	***830***	***891***
Restructuring & Other Cash Charges	-4	-18	-32	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**1,043**	**1,143**	**1,262**	***830***	***891***
Interest Expense	418	415	444	*417*	*361*
Interest Income	2	24	22	—	—
Pre-Tax Income	**626**	**753**	**841**	***413***	***530***
Income Tax Expense	216	262	310	*144*	*185*
Other After-Tax Cash Gains (Losses)	6	6	-1	—	—
Other After-Tax Non-Cash Gains (Losses)	—	35	—	*215*	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**416**	**532**	**530**	***483***	***344***
Weighted Average Diluted Shares Outstanding	300	314	317	*322*	*324*
Diluted Earnings Per Share	**1.39**	**1.70**	**1.67**	***1.50***	***1.06***
Adjusted Net Income	437	494	534	*483*	*344*
Diluted Earnings Per Share (Adjusted)	**1.46**	**1.58**	**1.69**	***1.50***	***1.06***
Dividends Per Common Share	0.94	0.98	1.02	*0.83*	*0.64*
EBITDA	**1,605**	**1,721**	**1,868**	***1,367***	***1,461***
Adjusted EBITDA	**1,601**	**1,703**	**1,836**	***1,367***	***1,461***

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
17.07 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)
Fiscal Year Ends in December

	2012	2013	2014	Forecast 2015	2016
Cash and Equivalents	83	35	50	*138*	*109*
Investments	—	—	—	—	—
Accounts Receivable	907	1,006	1,070	*871*	*908*
Inventory	496	500	616	*619*	*642*
Deferred Tax Assets (Current)	—	—	272	—	—
Other Short Term Assets	866	618	458	*500*	*500*
Current Assets	**2,352**	**2,159**	**2,467**	***2,127***	***2,159***
Net Property Plant, and Equipment	12,916	14,365	16,017	*14,152*	*14,940*
Goodwill	3,677	3,666	3,666	*3,529*	*3,529*
Other Intangibles	287	276	265	*265*	*265*
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,024	1,522	1,696	*500*	*500*
Long-Term Non-Operating Assets	588	666	755	*970*	*970*
Total Assets	**21,845**	**22,654**	**24,866**	***21,542***	***22,363***
Accounts Payable	539	619	671	*681*	*707*
Short-Term Debt	1,284	1,241	1,844	*1,000*	*1,000*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,479	1,319	1,441	*1,500*	*1,400*
Current Liabilities	**3,302**	**3,178**	**3,955**	***3,181***	***3,107***
Long-Term Debt	6,819	7,593	8,156	*5,700*	*6,200*
Deferred Tax Liabilities (Long-Term)	2,953	3,278	3,662	*3,500*	*3,704*
Other Long-Term Operating Liabilities	1,593	1,687	1,674	*1,500*	*1,523*
Long-Term Non-Operating Liabilities	1,623	1,031	1,245	*1,245*	*1,245*
Total Liabilities	**16,290**	**16,767**	**18,691**	***15,126***	***15,778***
Preferred Stock	—	—	—	—	—
Common Stock	3	3	3	*3*	*3*
Additional Paid-in Capital	4,598	4,690	4,788	*4,818*	*4,853*
Retained Earnings (Deficit)	1,060	1,286	1,494	*1,710*	*1,849*
(Treasury Stock)	-41	-49	-59	*-59*	*-59*
Other Equity	-66	-44	-51	*-56*	*-61*
Shareholder's Equity	**5,554**	**5,887**	**6,175**	***6,417***	***6,585***
Minority Interest	—	—	—	—	—
Total Equity	**5,554**	**5,887**	**6,175**	***6,417***	***6,585***

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
17.07 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

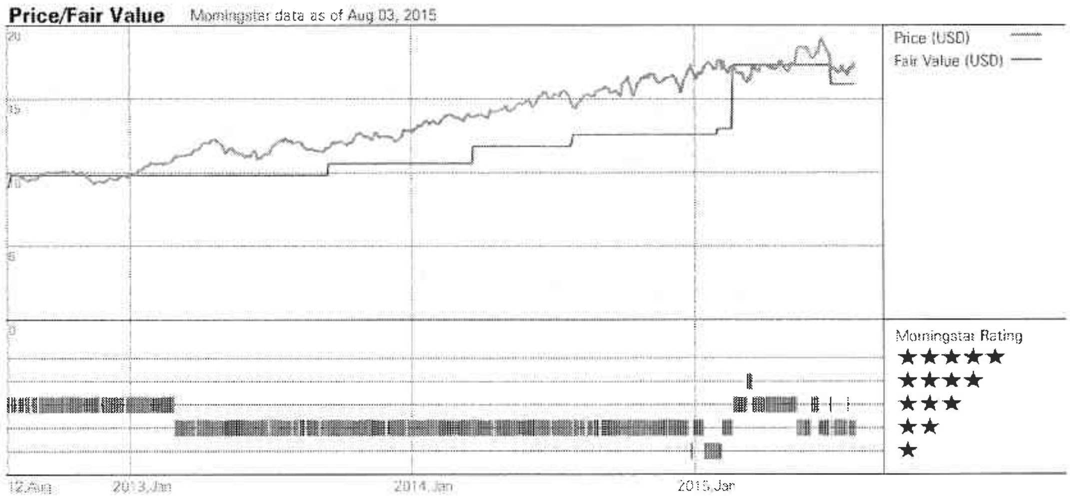
Morningstar Analyst Forecasts

Cash Flow (USD Mil)

Fiscal Year Ends in December				Forecast	
	2012	2013	2014	*2015*	*2016*
Net Income	416	532	530	*483*	*344*
Depreciation	562	577	606	*536*	*570*
Amortization	—	—	—	—	—
Stock-Based Compensation	45	51	72	*35*	*36*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	305	287	299	*111*	*204*
Other Non-Cash Adjustments	25	-65	-50	*-215*	—
(Increase) Decrease in Accounts Receivable	-51	-95	-63	*199*	*-37*
(Increase) Decrease in Inventory	62	-9	-120	*-3*	*-24*
Change in Other Short-Term Assets	-157	81	9	*-42*	—
Increase (Decrease) in Accounts Payable	57	68	38	*10*	*26*
Change in Other Short-Term Liabilities	—	—	—	*59*	*-100*
Cash From Operations	**1,264**	**1,427**	**1,321**	***1,175***	***1,020***
(Capital Expenditures)	-1,499	-1,880	-2,029	*-1,283*	*-1,358*
Net (Acquisitions), Asset Sales, and Disposals	26	18	13	*2,750*	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	51	-148	-101	*1,023*	*23*
Cash From Investing	**-1,422**	**-2,010**	**-2,117**	***2,489***	***-1,336***
Common Stock Issuance (or Repurchase)	374	36	20	*30*	*35*
Common Stock (Dividends)	-273	-306	-321	*-267*	*-206*
Short-Term Debt Issuance (or Retirement)	-582	-78	878	*-844*	—
Long-Term Debt Issuance (or Retirement)	656	794	219	*-2,456*	*500*
Other Financing Cash Flows	—	—	—	*-35*	*-36*
Cash From Financing	**175**	**445**	**796**	***-3,572***	***293***
Exchange Rates, Discontinued Ops, etc. (net)	8	129	-1	*-5*	*-5*
Net Change in Cash	**25**	**-10**	**-1**	***87***	***-28***

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
17.07 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated



The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic value.

Five-star stocks sell for the biggest risk-adjusted discount whereas one-star stocks trade at premiums to their intrinsic value. Based on a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's Equity Analysts, four key components drive the Morningstar Rating: 1. Assessment of the firm's economic moat, 2. Estimate of the stock's fair value, 3. Uncertainty around that fair value estimate and 4. Current market price. Further information on Morningstar's methodology is available from http://global.morningstar.com/equitydisclosures.

This Research Report is current as of the date on the report until it is replaced, updated or withdrawn. This report may be withdrawn or changed at any time as other information becomes available to us. This report will be updated if events affecting the report materially change.

Conflicts of Interest:

-No material interests are held by Morningstar or the Equity Analyst in the financial products that are the subject of the research reports or the product.

-Equity Analysts are required to comply with the CFA Institute's Code of Ethics and Standards of Professional Conduct.

-Equity Analysts' compensation is derived from Morningstar's overall earning and consists of salary, bonus and in some cases restricted stock.

-Equity Analysts do not influence Morningstar's investment management group's business arrangements nor allow employees from the investment management group to participate or influence the analysis or opinion prepared by them. Morningstar will not receive any direct benefit from the publication of this report. Morningstar does not receive commissions for providing research and does not charge companies to be rated.

-Equity Analysts use publicly available information.

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
17.07 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

-Morningstar may provide the product issuer or its related entities with services or products for a fee and on an arms length basis including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship and website advertising.

-Further information on Morningstar's conflict of interest policies is available from http://global.morningstar.com/equitydisclosures.

If you wish to obtain further information regarding previous research reports and recommendations and our services, please contact your local Morningstar office.

Unless otherwise provided in a separate agreement, you may use this report only in the country in which its distributor is based.

Unless stated otherwise, the original distributor of this document is Morningstar Inc. The information contained herein is not represented or warranted to be accurate, correct, complete, or timely. This report is for information purposes only, and should not be considered a solicitation to buy or sell any security. Redistribution is prohibited without permission.

For Recipients in Hong Kong: The research is prepared and issued by Morningstar Investment Management Asia Limited, which is regulated by the Hong Kong Securities and Futures Commission to provide investment research, non-discretionary investment consulting services, and discretionary investment management services to professional investors only. Neither Morningstar Investment Management Asia Limited, nor its representatives, are acting or will be deemed to be acting as an investment manager or advisor to any recipients of this information unless expressly agreed to by Morningstar Investment Management Asia Limited. For enquiries regarding this information, please contact a Morningstar Investment Management Asia Limited Licensed Representative at http://global.morningstar.com/equitydisclosures.

For Recipients in India: Research on securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 ("Investment Research") is prepared by Morningstar Investment Adviser India Private Limited, which is registered with the Securities and Exchange Board of India. Investment Research is intended for educational purposes only; it is not intended to be an offer, solicitation, or call-to-action for the purchase or sale of a security. You should seek the advice of a financial professional before making an investment decision to ensure, among other things, that the security is suitable based on your particular needs and circumstances.

UBS | Global Research | 3 August 2015

NiSource Inc.
Pure Play Utility Going Forward

Equities
Americas
Gas Utilities

12-month rating	Buy
12m price target	US$19.00
Price	US$17.07

RIC: NI.N BBG: NI US

Trading data and key metrics

52-wk range	US$48.72-16.54
Market cap.	US$5.42bn
Shares o/s	318m (COM)
Free float	99%
Avg. daily volume ('000)	420
Avg. daily value (m)	US$7.3
Common s/h equity (12/15E)	US$7.42bn
P/BV (12/15E)	0.7x
Net debt / EBITDA (12/15E)	4.0x

EPS (UBS, diluted) (US$)

	12/15E			
	From	To	% ch	Cons.
Q1	0.85	0.85	0.00	0.85
Q2	0.19	0.18	-5.53	0.22
Q3E	(0.13)	(0.12)	8.22	0.02
Q4E	0.28	0.28	-0.64	0.37
12/15E	1.19	1.18	-0.13	1.26
12/16E	1.05	1.00	-4.73	1.07
12/17E	1.11	1.06	-4.42	1.14

Shneur Z. Gershuni, CFA
Analyst
shneur.gershuni@ubs.com
+1-212-713 3974

Jennifer Hills
Associate Analyst
jennifer.hills@ubs.com
+1-212-713 2928

Separation Complete, Now Pure Play Regulated Utility Growth Story

NI reiterated its ~$30Bn in infrastructure investment opportunities (~$1.3Bn planned in '15). The regulatory environment remains constructive. There were several regulatory updates, including a base rate case settlement in principle in MA which is expected to be finalized in August. Details have not been disclosed, but we view it as a positive given that MA has been a more challenging regulatory environment historically. In PA, NI's request for a $46mm increase to support modernization investments is progressing. In VA, NI is awaiting a final order on a pending $25.2mm revenue increase request previously deemed reasonable. At NIPSCO NI continued to execute on its gas modernization program. On the electric side NIPSCO reached a settlement with industrial customers on its current modernization program & plans to file a base rate case & new seven year modernization program in October. NI continued to make progress on two large electric transmission projects totalling ~$500mm in investment. No change to '16 EPS guidance of $1.00-$1.10 & earnings & dividend growth of 4-6%.

CPG Spin-out Related Expenses Drove Miss

NI reported 2Q15 Adj. EBITDA of $379.5mm, which was 3.2% lower than UBSe of $392.2mm. Operating income in the gas distribution segment of $56mm was down 7% Y/Y, but 22% above UBSe as a result of 18% warmer than normal weather in 2Q. Utility operating income of $57mm declined 10% Y/Y and was 9.5% below UBSe primarily due to a 5% weather adjusted decline in sales volumes. The quarter included higher interest expense associated with the financing of debt at CPG prior to the split as well as separation costs, which should not be reoccurring going forward.

Adjusting Estimates

We are lowering our 2015 EBITDAe to $1,604mm from $1,609mm to account for the follow through of lower Q2 earnings. We are raising our 2016/2017 EBITDAe to $1350mm/$1,434mm from $1,344mm/$1,427mm to account for the higher expected tariff rates. However, as a result of higher than D&A and interest expenses we are lowering 2015/2016/2017 EPUe to $1.18/$1.00/$1.06 from $1.19/$1.05/$1.11.

Valuation: Reiterate $19 PT, maintain Buy Rating

We are maintaining our $19 SOP derived price target and reiterate our Buy rating

Highlights (US$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	5,085	5,657	6,473	5,615	5,301	5,530	5,762	6,002
EBIT (UBS)	1,068	1,168	1,265	1,036	846	923	1,002	1,082
Net earnings (UBS)	470	491	514	376	318	339	359	381
EPS (UBS, diluted) (US$)	1.57	1.57	1.62	1.18	1.00	1.06	1.12	1.19
DPS (US$)	0.95	0.99	1.03	0.73	0.66	0.70	0.74	0.78
Net (debt) / cash	(8,067)	(8,808)	(9,974)	(6,462)	(7,017)	(7,548)	(8,034)	(8,701)
Profitability/valuation	**12/12**	**12/13**	**12/14**	**12/15E**	**12/16E**	**12/17E**	**12/18E**	**12/19E**
EBIT margin %	21.0	20.6	19.5	18.4	16.0	16.7	17.4	18.0
ROIC (EBIT) %	9.0	9.2	9.2	7.8	6.8	7.0	7.3	7.4
EV/EBITDA (core) x	8.4	9.2	10.4	7.4	7.7	7.6	7.5	7.5
P/E (UBS, diluted) x	15.6	18.9	23.3	14.4	17.1	16.1	15.2	14.3
Equity FCF (UBS) yield %	(2.8)	(4.8)	(5.9)	2.6	(7.1)	(6.4)	(5.7)	(9.2)
Net dividend yield %	3.9	3.3	2.7	4.2	3.9	4.1	4.3	4.6

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$17.07 on 03 Aug 2015 18:41 EDT

Figure 1: 2Q15 Earnings Variance

$ in millions	Actual 2Q15	UBSe 2Q15e	QoQ % change	Actual 2Q14	YoY % change
Operating Data					
Customers (000)					
Gas Utilities Customers	$3,359.5	$3,357.1	0.1%	$3,337.6	0.7%
Electric Customers	$460.8	$461.4	(0.1%)	$459.1	0.4%
Financial Data					
Revenues	$1,175.8	$1,444.2	(18.6%)	$1,335.1	(11.9%)
Expenses					
Cost of Sales	($218.6)	($418.3)	(47.7%)	($371.7)	(41.2%)
Operating & Maintenance Expenses	($520.6)	($576.7)	(9.7%)	($533.1)	(2.3%)
Depreciation & Amortization	($167.4)	($160.9)	4.0%	($149.1)	12.3%
Other Taxes	($79.1)	($76.5)	3.4%	($73.4)	7.8%
Total Expenses	($963.7)	($1,216.6)	(20.8%)	($1,115.5)	(13.6%)
Operating income	$56.6	$62.6	(9.5%)	$62.9	(10.0%)
Adj. EBITDA	$379.5	$392.2	(3.2%)	$368.7	2.9%
Interest Expense	($117.1)	($111.2)	5.3%	($109.1)	7.3%
Other Expenses	$6.5	$7.1	(8.5%)	$7.5	(13.3%)
Pre-tax Income	$101.5	$127.2	(20.2%)	$118.0	(14.0%)
Income Taxes	($36.0)	($45.8)	(21.4%)	($39.5)	(8.9%)
Net Income	$56.8	$81.4	(30.2%)	$78.5	(27.6%)
EPS	$0.18	$0.26	(30.2%)	$0.25	(28.0%)
Diluted Shares Outstanding	$317.5	$316.7	0.2%	$315.0	0.8%
Dividend Per Share	$0.260	$0.270	(3.7%)	$0.260	0.0%
Segment Operating Income					
Gas Distribution	$55.6	$45.7	21.6%	$59.8	(7.0%)
Transmission & Storage	$108.6	$130.0	(16.5%)	$103.7	4.7%
Electric Operations	$56.6	$62.6	(9.5%)	$62.9	(10.0%)
Corporate & Eliminations	($8.7)	($7.0)	23.5%	($6.8)	27.9%
Total	$212.1	$231.3	(8.3%)	$219.6	(3.4%)

Source: UBSe, Company Reports

Forecast returns

Forecast price appreciation	+11.3%
Forecast dividend yield	3.8%
Forecast stock return	+15.1%
Market return assumption	5.7%
Forecast excess return	+9.4%

Statement of Risk

Risks include and are not limited to the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects; and ability to continue to reinvest in the businesses for growth.

Required Disclosures

This report has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

Analyst Certification: Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	**Definition**	**Coverage**[1]	**IB Services**[2]
Buy	FSR is > 6% above the MRA.	45%	36%
Neutral	FSR is between -6% and 6% of the MRA.	42%	32%
Sell	FSR is > 6% below the MRA.	13%	20%
Short-Term Rating	**Definition**	**Coverage**[3]	**IB Services**[4]
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 30 June 2015.
1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES: UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with the NASD and NYSE and therefore are not subject to the restrictions contained in the NASD and NYSE rules on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

UBS Securities LLC: Shneur Z. Gershuni, CFA; Jennifer Hills.

Company Disclosures

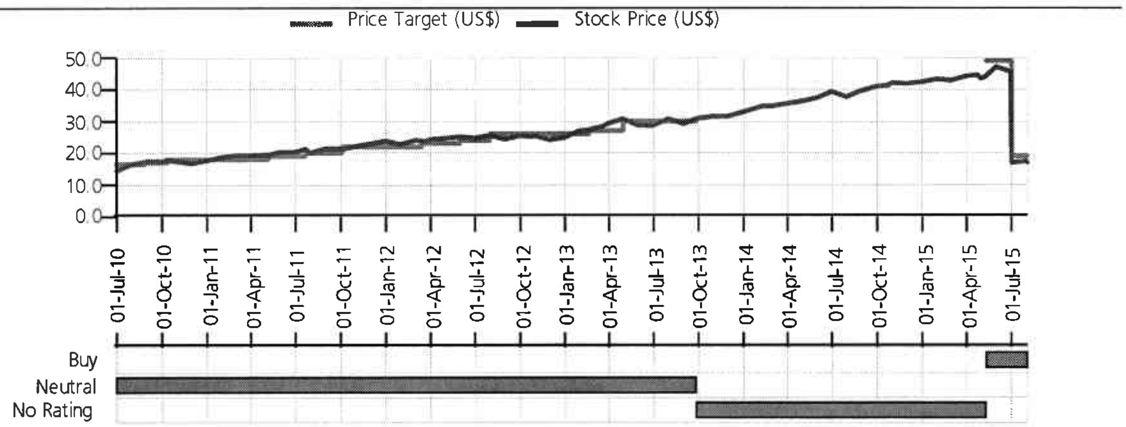
Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
NiSource Inc.[16]	NI.N	Buy	N/A	US$17.07	03 Aug 2015

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

NiSource Inc. (US$)



Source: UBS; as of 03 Aug 2015

Global Disclaimer

This document has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

Global Research is provided to our clients through UBS Neo, the UBS Client Portal and UBS.com (each a "System"). It may also be made available through third party vendors and distributed by UBS and/or third parties via e-mail or alternative electronic means. The level and types of services provided by Global Research to a client may vary depending upon various factors such as a client's individual preferences as to the frequency and manner of receiving communications, a client's risk profile and investment focus and perspective (e.g. market wide, sector specific, long-term, short-term, etc.), the size and scope of the overall client relationship with UBS and legal and regulatory constraints.

When you receive Global Research through a System, your access and/or use of such Global Research is subject to this Global Research Disclaimer and to the terms of use governing the applicable System.

When you receive Global Research via a third party vendor, e-mail or other electronic means, your use shall be subject to this Global Research Disclaimer and to UBS's Terms of Use/Disclaimer (http://www.ubs.com/global/en/legalinfo2/disclaimer.html). By accessing and/or using Global Research in this manner, you are indicating that you have read and agree to be bound by our Terms of Use/Disclaimer. In addition, you consent to UBS processing your personal data and using cookies in accordance with our Privacy Statement (http://www.ubs.com/global/en/legalinfo2/privacy.html) and cookie notice (http://www.ubs.com/global/en/homepage/cookies/cookie-management.html).

If you receive Global Research, whether through a System or by any other means, you agree that you shall not copy, revise, amend, create a derivative work, transfer to any third party, or in any way commercially exploit any UBS research provided via Global Research or otherwise, and that you shall not extract data from any research or estimates provided to you via Global Research or otherwise, without the prior written consent of UBS.

For access to all available Global Research on UBS Neo and the Client Portal, please contact your UBS sales representative.

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject UBS to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ('the Information'), except with respect to Information concerning UBS. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. UBS does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS. Any statements contained in this report attributed to a third party represent UBS's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates or other market conditions. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument referred to in the document. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither UBS nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by UBS or any other source may yield substantially different results.

This document and the Information are produced by UBS as part of its research function and are provided to you solely for general background information. UBS has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. In no circumstances may this document or any of the Information be used for any of the following purposes:

(i) valuation or accounting purposes;

(ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or

(iii) to measure the performance of any financial instrument.

By receiving this document and the Information you will be deemed to represent and warrant to UBS that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information.

Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this document is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this document. For financial instruments admitted to trading on a non-EU regulated market: UBS may act as a market maker save that where this activity is carried out in the US in accordance with the definition given to it by the relevant laws and regulations, such activity will be specifically disclosed in this document. UBS may have issued a warrant the value of which is based on one or more of the financial instruments referred to in the document. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein; such transactions or positions may be inconsistent with the opinions expressed in this document.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is distributed by UBS Limited to persons who are eligible counterparties or professional clients. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France S.A. UBS Securities France S.A. is regulated by the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this document, the document is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt fur Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Distributed by UBS Limited. No information in this document is provided for the purpose of offering, marketing and sale by any means of any capital market instruments and services in the Republic of Turkey. Therefore, this document may not be considered as an offer made or to be made to residents of the Republic of Turkey. UBS AG is not licensed by the Turkish Capital Market Board under the provisions of the Capital Market Law (Law No. 6362). Accordingly, neither this document nor any other offering material related to the instruments/services may be utilized in connection with providing any capital market services to persons within the Republic of Turkey without the prior approval of the Capital Market Board. However, according to article 15 (d) (ii) of the Decree No. 32, there is no restriction on the purchase or sale of the securities abroad by residents of the Republic of Turkey. **Poland:** Distributed by UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce regulated by the Polish Financial Supervision Authority. Where an analyst of UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce has contributed to this

document, the document is also deemed to have been prepared by UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce. **Russia:** Prepared and distributed by UBS Bank (OOO). **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. UBS AG is regulated by the Swiss Financial Market Supervisory Authority (FINMA). **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this document, the document is also deemed to have been prepared by UBS Italia Sim S.p.A. **South Africa:** Distributed by UBS South Africa (Pty) Limited (Registration No. 1995/011140/07), an authorised user of the JSE and an authorised Financial Services Provider (FSP 7328). **Israel:** This material is distributed by UBS Limited. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. UBS Securities Israel Ltd is a licensed Investment Marketer that is supervised by the Israel Securities Authority (ISA). UBS Limited and its affiliates incorporated outside Israel are not licensed under the Israeli Advisory Law. UBS Limited is not covered by insurance as required from a licensee under the Israeli Advisory Law. UBS may engage among others in issuance of Financial Assets or in distribution of Financial Assets of other issuers for fees or other benefits. UBS Limited and its affiliates may prefer various Financial Assets to which they have or may have Affiliation (as such term is defined under the Israeli Advisory Law). Nothing in this Material should be considered as investment advice under the Israeli Advisory Law. This Material is being issued only to and/or is directed only at persons who are Eligible Clients within the meaning of the Israeli Advisory Law, and this material must not be relied on or acted upon by any other persons. **Saudi Arabia:** This document has been issued by UBS AG (and/or any of its subsidiaries, branches or affiliates), a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich. This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority to conduct securities business under license number 08113-37. **Dubai:** The information distributed by UBS AG Dubai Branch is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a **'non-US affiliate'**) to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a document prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this document must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. **Canada:** Distributed by UBS Securities Canada Inc., a registered investment dealer in Canada and a Member-Canadian Investor Protection Fund, or by another affiliate of UBS AG that is registered to conduct business in Canada or is otherwise exempt from registration. **Brazil:** Except as otherwise specified herein, this material is prepared by UBS Brasil CCTVM S.A. to persons who are eligible investors residing in Brazil, which are considered to be: (i) financial institutions, (ii) insurance firms and investment capital companies, (iii) supplementary pension entities, (iv) entities that hold financial investments higher than R$300,000.00 and that confirm the status of qualified investors in written, (v) investment funds, (vi) securities portfolio managers and securities consultants duly authorized by Comissão de Valores Mobiliários (CVM), regarding their own investments, and (vii) social security systems created by the Federal Government, States, and Municipalities. **Hong Kong:** Distributed by UBS Securities Asia Limited and/or UBS AG, Hong Kong Branch. **Singapore:** Distributed by UBS Securities Pte. Ltd. [MCI (P) 016/09/2014 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte. Ltd., an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110); or UBS AG, Singapore Branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or document. The recipients of this document represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **Japan:** Distributed by UBS Securities Japan Co., Ltd. to professional investors (except as otherwise permitted). Where this document has been prepared by UBS Securities Japan Co., Ltd., UBS Securities Japan Co., Ltd. is the author, publisher and distributor of the document. Distributed by UBS AG, Tokyo Branch to Professional Investors (except as otherwise permitted) in relation to foreign exchange and other banking businesses when relevant. **Australia:** Clients of UBS AG: Distributed by UBS AG (Holder of Australian Financial Services License No. 231087). Clients of UBS Securities Australia Ltd: Distributed by UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098). Clients of UBS Wealth Management Australia Ltd: Distributed by UBS Wealth Management Australia Ltd (Holder of Australian Financial Services Licence No. 231127). This Document contains general information and/or general advice only and does not constitute personal financial product advice. As such, the Information in this document has been prepared without taking into account any investor's objectives, financial situation or needs, and investors should, before acting on the Information, consider the appropriateness of the Information, having regard to their objectives, financial situation and needs. If the Information contained in this document relates to the acquisition, or potential acquisition of a particular financial product by a 'Retail' client as defined by section 761G of the Corporations Act 2001 where a Product Disclosure Statement would be required, the retail client should obtain and consider the Product Disclosure Statement relating to the product before making any decision about whether to acquire the product. The UBS Securities Australia Limited Financial Services Guide is available at: www.ubs.com/ecs-research-fsg. **New Zealand:** Distributed by UBS New Zealand Ltd. The information and recommendations in this publication are provided for general information purposes only. To the extent that any such information or recommendations constitute financial advice, they do not take into account any person's particular financial situation or goals. We recommend that recipients seek advice specific to their circumstances from their financial advisor. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This document may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (Capital Markets Services License No.: CMSL/A0063/2007). This material is intended for professional/institutional clients only and not for distribution to any retail clients. **India:** Prepared by UBS Securities India Private Ltd. (Corporate Identity Number U67120MH1996PTC097299) 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000. It provides brokerage services bearing SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, NSE (Currency Derivatives Segment) INE230951431, BSE (Capital Market Segment) INB010951437; merchant banking services bearing SEBI Registration Number: INM000010809 and research services. UBS AG, its affiliates or subsidiaries may have debt holdings or positions in the subject Indian company/companies. Within the past 12 months, UBS AG, its affiliates or subsidiaries may have received compensation for non-investment banking securities-related services and/or non-securities services from the subject Indian company/companies. The subject company/companies may have been a client/clients of UBS AG, its affiliates or subsidiaries during the 12 months preceding the date of distribution of the research report with respect to investment banking and/or non-investment banking securities-related services and/or non-securities services. With regard to information on associates, please refer to the Annual Report at: http://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting.html

The disclosures contained in research documents produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS

WOLFE RESEARCH

UTILITIES & POWER
Regulateds – Market Weight
Integrateds – Market Weight
IPPs – Market Overweight

August 3, 2015

NISOURCE INC.

(NI US Equity – $ 17.07 – Outperform)

Hangover from the split, but all's well

- **Overreaction on split-related costs; valuation attractive**
  NI sold off on a lower than expected Q2 result, even though the main reason for the miss was higher costs related to the Columbia pipeline split. The long-term earnings outlook remains intact and conservative in our view – and management has been making headway on securing regulatory outcomes. Despite being 2/3 gas distribution with a much lower risk profile, the stock now trades in line with the electrics and 15% below the LDCs. We see significant value to the stock at current levels and reiterate our Outperform.

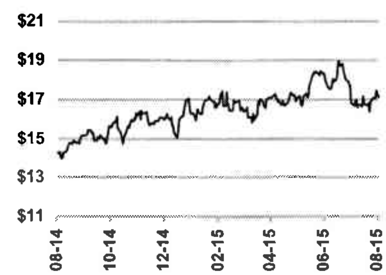
- **A couple constructive regulatory outcomes**
  NiSource had two significant regulatory outcomes in the quarter, both of which we view as balanced. In Indiana, parties reached a settlement on the electric infrastructure remand. While it does require another rate case, the focus will be on rate design rather than ROE. ROE outcomes in the state have been close to the current 10.2%. In Massachusetts, NI secured a settlement in the base rate case, details to come later this month.

- **Guidance, growth outlook and balance sheet still on plan**
  Management reiterated 2016 guidance of $1.00-$1.10 and long-term earnings and dividend growth of 4%-6%. Additionally the post-split capital structure is in line with expectations, with $6.7B of total debt. NI continues to see $30B of long-term investment potential at the gas and electric utilities.

- **Q2 a miss on one-time costs; TP remains $19**
  NI reported Q2 operating EPS of $0.18 vs. $0.25 last year, below our $0.21E and the $0.25 consensus. Earnings were down on a combination of higher costs related to the July pipeline split (mainly interest and O&M) and the loss of earnings from the MLP IPO earlier this year. This was the last earnings report with both the utility and pipeline results. We are maintaining our EPS estimates as well as our $19 target price.

Trading and Fundamental Data	
Target Price	**$ 19**
Current Price	$ 17.07
52 Week Range	$ 14 - $ 19
Market Cap. ($MM)	$ 6023
Share Out. (MM)	317.6
Dividend Yield	3.63%
Dividend Payout Ratio	61.2%
ROE	7.4%
Debt to Cap	61.8%
Avg Daily Vol (ooo)	1945

Price Performance	YTD	LTM
NI US Equity	20%	20%
Utility Index	-7%	8%
S&P 500	2%	8%



Source: Bloomberg/Wolfe Research

Estimates / Valuation				
(US$)	**2015E**	**2016E**	**2017E**	**2018E**
EPS	$1.04	$1.08	$1.14	$1.21
Consensus	NA	$1.07	$1.14	$1.16
P/E	16.5x	15.7x	14.9x	14.1x
Dividend Per Share	$0.62	$0.65	$0.68	$0.72
Dividend Yield	3.6%	3.8%	4.0%	4.2%

Steven Fleishman
(646) 582-9241
SFleishman@WolfeResearch.com

Alex Kania
(646) 582-9244
AKania@WolfeResearch.com

WOLFE RESEARCH

NiSource Inc.

August 3, 2015

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2015E	2016E	2017E	2018E
EPS	$1.04	$1.08	$1.14	$1.21
Diluted Shares Outstanding	318	319	320	321
Dividends Per Share	$0.62	$0.65	$0.68	$0.72
Dividend Yield	3.6%	3.8%	4.0%	4.2%
Dividend Payout Ratio	60%	60%	60%	59%
Equity Ratio	32%	32%	32%	33%
FFO/Net Debt	18%	17%	16%	17%
Valuation Metrics				
P/E	16.5x	15.7x	14.9x	14.1x
Price/Book	1.9x	1.7x	1.6x	1.5x
Segment EPS				
Gas Distribution	$0.88	$0.93	$1.00	$1.05
Electric	0.45	0.47	0.50	0.52
Parent & Other	(0.30)	(0.32)	(0.35)	(0.36)
Total EPS	**$1.04**	**$1.08**	**$1.14**	**$1.21**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2015E	2016E	2017E	2018E
Total Capital Spending by Segment ($M)				
Gas Distribution	$790	$760	$730	$730
Electric	593	593	593	593
Parent	50	50	50	50
Total Capex	**$1,433**	**$1,403**	**$1,373**	**$1,373**
Financings ($M)				
Total Equity Issued/(Repurchased)	$45	$45	$45	$45
Total Debt Issued/(Repurchased)	$558	$681	$605	$170

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates two separate business lines: electric utility and gas distribution LDCs. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.4 million customers in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, and Massachusetts

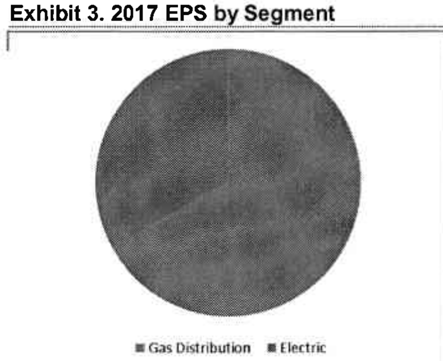
Investment Thesis

We see above-average rate base and earnings growth potential for NiSource relative to other electric and natural gas distribution utilities. NI has a $30B backlog of investment with recovery largely through trackers and balanced regulatory environments. Additionally, we see the gas business getting larger over time. NI appears attractive at current levels.

Valuation

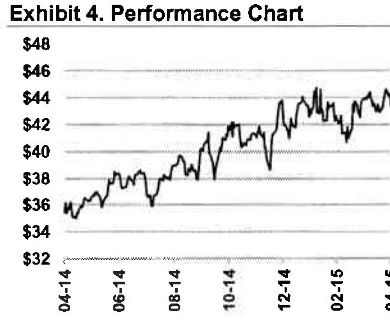
Our $19 price target is on a target P/E valuation. We apply a 16.5x multiple to 2017E earnings, in line with higher quality gas LDCs. Downside risks for NiSource are execution on rate base investment, economic conditions and regulatory outcomes. Upside risks are additional growth projects.

Exhibit 3. 2017 EPS by Segment



Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart



Source: Bloomberg

WOLFE RESEARCH

NiSource Inc.

August 3, 2015

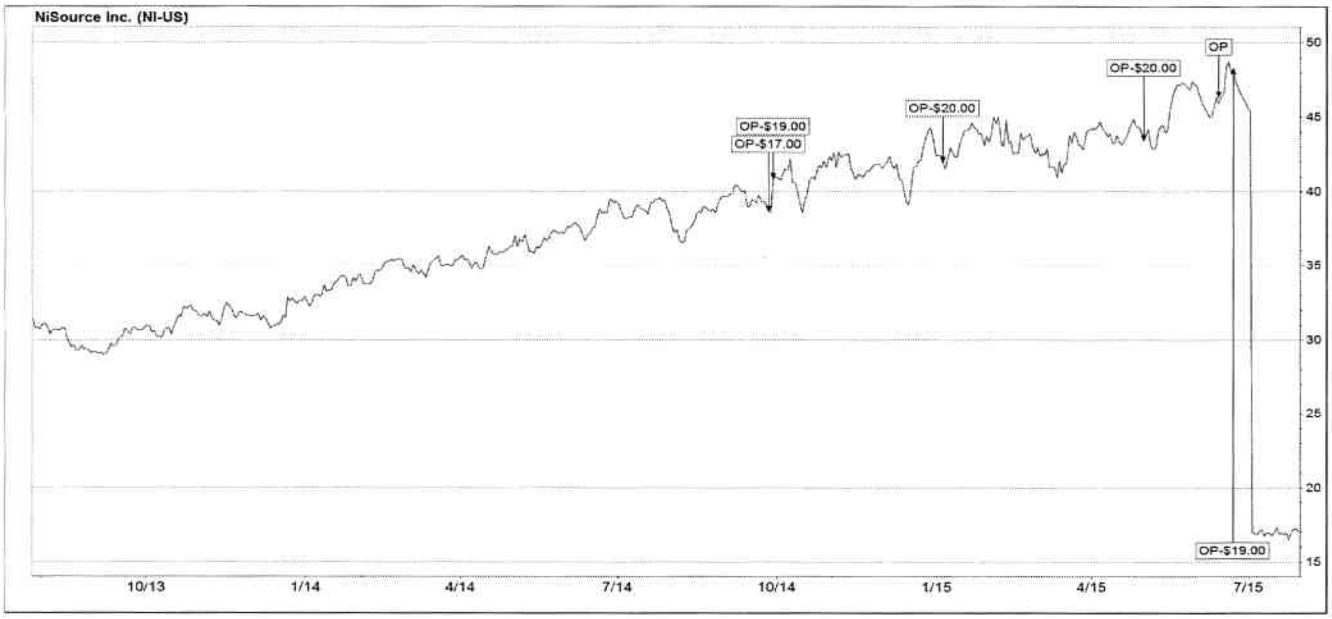
DISCLOSURE SECTION

Analyst Certification:

The analyst of Wolfe Research, LLC primarily responsible for this research report whose name appears first on the front page of this research report hereby certifies that (i) the recommendations and opinions expressed in this research report accurately reflect the research analysts' personal views about the subject securities or issuers and (ii) no part of the research analysts' compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this report.

Important Disclosures:

Price Chart with Ratings and Target Price History



Note: OP = Outperform; PP = Peer Perform; UP = Underperform

Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NI US Equity	Forward P/E

Wolfe Research, LLC Fundamental Target Price Risks:

Company:	Fundamental Target Price Risks:
NI US Equity	Economy, regulatory outcomes, project execution

Wolfe Research, LLC Research Disclosures:

Company:	Research Disclosures:
NI US Equity	None

Other Disclosures:

Wolfe Research, LLC Fundamental Stock Ratings Key:

Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.
Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
Underperform (UP):	The security is projected to underperform analyst's industry coverage universe over the next 12 months.

Wolfe Research, LLC uses a relative rating system using terms such as Outperform, Peer Perform and Underperform (see definitions above). Please carefully read the definitions of all ratings used in Wolfe Research, LLC research. In addition, since Wolfe Research, LLC research contains more complete information concerning the analyst's views, please carefully read Wolfe Research, LLC research in its entirety and not infer the contents from the ratings alone. In all cases, ratings (or research) should not be used or relied upon as investment advice and any investment decisions should be based upon individual circumstances and other considerations.

Wolfe Research, LLC Sector Weighting System:

Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

Wolfe Research, LLC Distribution of Fundamental Stock Ratings (As of June 30, 2015):

Outperform:	40%	1% Investment Banking Clients
Peer Perform:	47%	1% Investment Banking Clients
Underperform:	13%	4% Investment Banking Clients

Wolfe Research, LLC does not assign ratings of Buy, Hold or Sell to the stocks it covers. Outperform, Peer Perform and Underperform are not the respective equivalents of Buy, Hold and Sell but represent relative weightings as defined above. To satisfy regulatory requirements, Outperform has been designated to correspond with Buy, Peer Perform has been designated to correspond with Hold and Underperform has been designated to correspond with Sell.

Wolfe Research Securities and Wolfe Research, LLC have adopted the use of Wolfe Research as brand names. Wolfe Research Securities, a member of FINRA (www.finra.org) is the broker-dealer affiliate of Wolfe Research, LLC and is responsible for the contents of this material. Any analysts publishing these reports are dually employed by Wolfe Research, LLC and Wolfe Research Securities.

The content of this report is to be used solely for informational purposes and should not be regarded as an offer, or a solicitation of an offer, to buy or sell a security, financial instrument or service discussed herein. Opinions in this communication constitute the current judgment of the author as of the date and time of this report and are subject to change without notice. Information herein is believed to be reliable but Wolfe Research and its affiliates, including but not limited to Wolfe Research Securities, makes no representation that it is complete or accurate. The information provided in this communication is not designed to replace a recipient's own decision-making processes for assessing a proposed transaction or investment involving a financial instrument discussed herein. Recipients are encouraged to seek financial advice from their financial advisor regarding the appropriateness of investing in a security or financial instrument referred to in this report and should understand that statements regarding the future performance of the financial instruments or the securities referenced herein may not be realized. Past performance is not indicative of future results. This report is not intended for distribution to, or use by, any person or entity in any location where such distribution or use would be contrary to applicable law, or which would subject Wolfe Research, LLC or any affiliate to any registration requirement within such location. For additional important disclosures, please see www.WolfeResearch.com/Disclosures.

The views expressed in Wolfe Research, LLC research reports with regards to sectors and/or specific companies may from time to time be inconsistent with the views implied by inclusion of those sectors and companies in other Wolfe Research, LLC analysts' research reports and modeling screens. Wolfe Research communicates with clients across a variety of mediums of the clients' choosing including emails, voice blasts and electronic publication to our proprietary website.

This report is limited for the sole use of clients of Wolfe Research. Authorized users have received an encryption decoder which legislates and monitors the access to Wolfe Research, LLC content. Any distribution of the content produced by Wolfe Research, LLC will violate the understanding of the terms of our relationship.

WOLFE RESEARCH

UTILITIES & POWER
Regulateds – Market Weight
Integrateds – Market Weight
IPPs – Market Overweight

July 20, 2015

UTILITIES & POWER

Q2 preview – Mother nature in the spotlight

- **Too little heat, wind and too much rain; but 2015 still on track for most**
We project a flattish Q2 but expect to hear a lot of weather complaints even though degree days look about normal overall. For the power guys, there has not been sustained heat to spur price spikes in key markets. Rainfall in Texas and the Midwest will likely limit loads for utilities and power cos. as well. Even the renewables players have been hurt by below normal wind in the West and Texas. Despite these pressures, we see most utilities on track for 2015 guidance. Even the IPPs should be able to reaffirm 2015 ranges, though possibly toward the lower end.
- **Power: targets down slightly; lower price deck offsets PJM capacity**
We adjusted our power estimates and targets for two changes: 1) lower forward power price deck and 2) including PJM transitional capacity auctions. The result is lower PTs overall, though still much higher than current trading levels. The PJM auctions are upcoming catalysts but it's also important to see summer price spikes to support forwards (today was a good sign). Retail remains a bright spot.
- **Regulateds: steady as she goes**
We recently upgraded the regulated sector and expect Q2 to be what utility investors want – uneventful. Topics of focus include FERC transmission ROE reviews, M&A strategy given the TECO announcement, and expectations for EPA's final Clean Power Plan expected soon.
- **Gas and Renewables – what does the recent meltdown mean?**
The MLP/Yieldco sector has taken it on the chin recently. We expect this to result in more focus on asset returns and strategic questions for parent companies on implications. Overall, we view this weakness as overdone.

Positives:

AEP – quarter beat and getting closer to selling out of generation
NRG – only IPP on track to beat this year; VSLR sale data point; buybacks
PPL – may raise 2015 slightly; quarter in line

Negatives:

DUK – Quarter miss on weak international; still ok for the year
GXP – Quarter miss on lower wholesale, costs; may be toward lower end for year
NYLD – Quarter weak on well below normal wind conditions
PCG – 2015 guidance likely cut on GT&S case delay
POR – another weak quarter on hydro, wind, weather
SO – Kemper and Mississippi updates; quarter should be decent.

Other notables:

CPN – likely guide to lower half; may be positive vs consensus
CNP – New dividend strategy (modest growth) and ENBL 2016/2017 guidance
ES – Northern Pass DOE draft due to come
EXC – POM near closing; IL nuke update; gross margin down modestly
WEC – first post-merger call; expect positive tone

Exhibit 1: Beats/Misses & PT Chgs

	Q2 2015 Estimate	
Ticker	**WR**	**Cons**
Beats		
AEP	$0.85	$0.80
PCG	$0.80	$0.72
NRG	$750	$697
Misses		
DUK	$0.96	$1.00
GXP	$0.27	$0.32
POR	$0.37	$0.41

	Price Target Chgs	
Ticker	**New**	**Old**
AEP	$64	$63
CPN	$23	$25
DYN	$35	$39
ETR	$84	$86
EXC	$37	$38
NYLD	$28	$30
PEG	$43	$45
PPL	$35	$37

Source: Wolfe Utilities & Power Research, FactSet

Steven Fleishman
(646) 582-9241
SFleishman@WolfeResearch.com

Alex Kania
(646) 582-9244
AKania@WolfeResearch.com

David Paz
(646) 582-9242
DPaz@WolfeResearch.com

Keith Stanley, CFA
(646) 582-9243
KStanley@WolfeResearch.com

Michael P. Sullivan
(646) 582-9245
MSullivan@WolfeResearch.com

Quarterly Estimates

Exhibit 2: Wolfe Research Earnings Estimates vs. Consensus

						Q2 2015E		Q2 2014	2015E		2016E		2017E		2018E	
Company Name	Ticker	Price	PT	Rating	Call Date	WR	Cons	Actual	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Alliant Energy	LNT	$60.25	$67	OP	8/6/15	$0.60	$0.60	$0.56	3.62	$3.63	$3.85	$3.83	$4.03	$4.02	4.24	$4.25
Ameren	AEE	39.12	44	PP	7/31/15	0.59	0.61	0.62	2.55	2.55	2.71	2.68	2.86	2.85	3.01	2.98
American Electric	AEP	55.54	64	OP	7/23/15	0.85	0.80	0.80	3.42	3.53	3.79	3.70	3.93	3.92	4.14	4.16
American Water	AWK	51.36	57	PP	8/6/15	0.67	0.68	0.63	2.60	2.61	2.80	2.81	2.97	2.99	2.97	3.05
CMS Energy	CMS	33.36	38	OP	7/23/15	0.29	0.30	0.30	1.89	1.88	2.02	2.01	2.16	2.15	2.31	2.32
CenterPoint	CNP	18.75	21	PP	8/10/15	0.19	0.18	0.21	1.06	1.05	1.10	1.15	1.16	1.22	1.24	1.29
Con Edison	ED	61.40	59	UP	8/6/15*	0.63	0.63	0.65	3.97	3.96	3.96	4.00	4.16	4.12	4.33	4.31
Dominion	D	69.29	84	OP	8/5/15	0.72	0.72	0.62	3.66	3.69	3.78	3.88	3.99	4.07	4.42	4.54
DTE Energy	DTE	77.41	87	OP	7/24/15	0.83	0.85	0.73	4.59	4.64	4.84	4.92	5.16	5.23	5.48	5.48
Duke Energy	DUK	73.27	80	PP	8/6/15	0.96	1.00	1.11	4.70	4.66	4.93	4.93	5.18	5.18	5.40	5.43
Edison Int'l	EIX	58.19	64	PP	7/30/15	0.82	0.83	1.08	3.55	3.60	3.80	3.90	4.14	4.20	4.42	4.46
Entergy	ETR	72.28	84	PP	8/4/15	1.13	1.15	1.11	5.60	5.53	5.29	5.27	5.38	5.44	5.72	5.90
Eversource Energy	ES	47.58	53	PP	7/31/15	0.58	0.56	0.42	2.82	2.85	3.00	3.04	3.21	3.22	3.51	3.42
Exelon	EXC	33.39	37	OP	7/29/15	0.51	0.52	0.51	2.46	2.44	2.44	2.44	2.55	2.59	2.46	2.85
FirstEnergy	FE	33.97	35	UP	7/31/15	0.46	0.48	0.49	2.53	2.62	2.63	2.68	2.43	2.49	2.53	2.75
Great Plains Energy	GXP	25.29	27	PP	8/7/15	0.27	0.32	0.34	1.50	1.51	1.78	1.83	1.87	1.91	1.92	2.01
ITC Holdings	ITC	33.87	39	PP	7/30/15	0.54	0.53	0.46	2.16	2.07	2.06	2.16	2.32	2.32	2.56	2.60
NextEra Energy	NEE	103.15	121	OP	8/3/15	1.49	1.51	1.43	5.48	5.65	6.09	6.09	6.44	6.44	6.88	6.89
NiSource	NI	16.91	19	OP	8/3/15	0.21	0.25	0.25	1.04	1.55	1.08	1.28	1.14	1.63	1.21	2.47
PG&E	PCG	51.19	59	OP	7/29/15	0.80	0.72	0.69	2.98	3.42	4.43	3.85	3.74	3.74	3.93	3.93
Pinnacle West	PNW	60.81	65	PP	7/30/15	1.24	1.23	1.19	3.84	3.85	4.01	4.02	4.22	4.21	4.33	4.37
Portland General	POR	34.26	37	PP	7/28/15	0.37	0.41	0.43	2.14	2.13	2.33	2.38	2.44	2.47	2.50	2.63
PPL Corp	PPL	31.04	35	PP	8/3/15	0.45	0.47	0.53	2.22	2.19	2.31	2.29	2.36	2.32	2.45	2.46
PSEG Corp	PEG	41.34	43	PP	7/31/15	0.56	0.55	0.49	2.98	2.93	2.96	2.92	2.90	2.98	2.92	3.19
SCANA	SCG	53.14	57	PP	7/30/15	0.68	0.66	0.68	3.70	3.71	3.91	3.89	4.23	4.13	4.51	4.59
Sempra Energy	SRE	102.02	123	OP	8/4/15**	1.05	0.99	1.08	4.79	4.86	5.15	5.20	5.43	5.59	6.44	6.38
Southern Co.	SO	43.32	45	UP	7/29/15	0.71	0.69	0.68	2.82	2.83	2.94	2.94	3.02	3.02	3.09	3.10
TECO Energy	TE	21.49	N/A	NR	7/30/15	0.28	0.27	0.28	1.11	1.10	1.18	1.18	1.27	1.27	1.33	1.32
UIL Holdings	UIL	46.88	N/A	NR	8/6/15	0.24	0.29	0.25	2.35	2.40	2.50	2.55	2.69	2.73	N/A	2.82
Wisconsin Energy	WEC	47.60	50	PP	7/29/15	0.56	0.55	0.58	2.74	2.72	2.89	2.89	3.03	3.12	3.22	3.21
Westar Energy	WR	35.99	38	PP	8/5/15	0.42	0.44	0.40	2.24	2.25	2.40	2.46	2.45	2.51	2.54	2.63
Xcel Energy	XEL	33.48	37	PP	7/30/15	0.40	0.41	0.39	2.10	2.09	2.27	2.22	2.38	2.35	2.49	2.52

Source: Wolfe Research Utilities & Power Research, FactSet
*ED has no earnings call, date referenced is earnings release
**Projected call date

Exhibit 3: Wolfe Research EBITDA Estimates vs. Consensus

						Q2 2015E		Q2 2014	2015E		2016E		2017E		2018E	
Company Name	Ticker	Price	PT	Rating	Call Date	WR	Cons	Actual	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Calpine	CPN	$16.97	$23	OP	7/30/15	$410	$391	$412	$1,950	$1,955	$1,800	$1,975	$1,840	$2,039	$1,910	$2,220
Dynegy	DYN	28.28	35	OP	8/7/15	180	195	38	900	1,006	1,270	1,283	1,260	1,247	1,295	1,452
NextEra Energy Partners	NEP	37.06	50	OP	8/03/15	95	99	65	433	420	533	591	681	731	821	808
NRG Energy	NRG	21.57	30	OP	N/A	750	697	671	3,340	3,296	3,025	3,068	2,905	2,906	3,000	3,436
NRG Yield	NYLD	19.36	28	OP	N/A	185	191	109	730	730	950	878	1,024	950	1,129	1,048
Talen Energy	TLN	17.31	19	PP	8/11/15	185	169	N/A	1,045	988	1,030	908	870	769	820	768

						Q2 2015E		Q2 2014	2015E		2016E		2017E		2018E	
Company Name	Ticker	Price	PT	Rating	Call Date	WR	Cons	Actual	WR	Cons	WR	Cons	WR	Cons	WR	Cons
Columbia Pipeline Group	CPPL	$23.30	$31	OP	8/3/15	$25	N/A	N/A	$615	$657	$625	$730	$639	$867	$778	$934

Source: Wolfe Research Utilities & Power Research, FactSet

Wolfe Research Estimate Revisions

We have updated estimates and price targets for the generation names based on two key changes: (a) lower commodity price assumptions and (b) incorporation of higher capacity prices from PJM Capacity Performance transition auctions. Our revised commodity price deck incorporates both lower forward power price assumptions as well as lower spark spreads across most regions. That said, our new price deck is still slightly above market. Second, we are assuming higher capacity revenues in 2016-2018 based on the upcoming transitional Capacity Performance auctions in PJM. We assume that the 2016/2017 transition auction clears at $125/MW-day. For western PJM generators we assume that 80% of previously cleared capacity gets this uplift; for eastern generators we assume only 40% gets the uplift. For the 2017/2018 transition auction, we assume a $140/MW-day price and that 70% of cleared capacity for all generators gets the benefit. Importantly, note that our price targets now include the upside from Capacity Performance whereas previously we viewed it as an upside option.

Exhibit 4: Wolfe Research Price Target and Earnings Estimate Revisions

						2015E		2016E		2017E		2018E	
Company Name	**Ticker**	**Price**	**New PT**	**Old PT**	**Rating**	**New**	**Prior**	**New**	**Prior**	**New**	**Prior**	**New**	**Prior**
American Electric	AEP	$55.54	$64	$63	OP	$3.42	$3.45	$3.79	$3.69	$3.93	$3.86	$4.14	$4.17
Dominion Resources	D	69.29	84	84	OP	3.66	3.67	3.78	3.81	3.99	4.05	4.42	4.48
Entergy	ETR	72.28	84	86	PP	5.60	5.70	5.29	5.38	5.38	5.67	5.72	6.01
Exelon	EXC	33.39	37	38	OP	2.46	2.47	2.44	2.37	2.55	2.56	2.46	2.70
FirstEnergy	FE	33.97	35	35	UP	2.53	2.57	2.63	2.61	2.43	2.42	2.53	2.56
NextEra Energy	NEE	103.15	121	121	OP	5.48	5.51	6.09	6.11	6.44	6.47	6.88	6.89
PPL Corp.	PPL	31.04	35	37	PP	2.22	2.18	2.31	2.28	2.36	2.33	2.45	2.43
PSEG	PEG	41.34	43	45	PP	2.98	2.98	2.96	2.98	2.90	2.96	2.92	3.05

Source: Wolfe Research Utilities & Power Research

Exhibit 5: Wolfe Research Price Target and EBITDA Estimate Revisions

						2015E		2016E		2017E		2018E	
Company Name	**Ticker**	**Price**	**New PT**	**Old PT**	**Rating**	**New**	**Prior**	**New**	**Prior**	**New**	**Prior**	**New**	**Prior**
Calpine	CPN	$16.97	$23	$25	OP	$1,950	$1,970	$1,800	$1,850	$1,840	$1,890	$1,910	$1,990
Dynegy	DYN	28.28	35	39	OP	900	990	1,270	1,265	1,260	1,320	1,295	1,450
NRG Energy	NRG	21.57	30	30	OP	3,340	3,325	3,025	2,930	2,905	2,830	3,000	3,050
NRG Yield	NYLD	19.36	28	30	OP	730	747	950	949	1,024	1,023	1,129	1,128
Talen Energy	TLN	17.31	19	19	PP	1,045	1,030	1,030	915	870	740	820	780

Source: Wolfe Research Utilities & Power Research

Average Spot Prices

In Exhibit 6 below, we highlight the year over year change in the average spot power price in different regions. Spot prices were down 30-40% in virtually every region (Mid-C the lone exception), largely driven by a sustained lower gas environment.

Exhibit 6: Average 7x24 Spot Prices

Northeast	Q215	Q214	% Change
Mass Hub	$24.61	$39.64	(38%)
Connecticut	24.79	39.76	(38%)
SE Mass	24.65	39.49	(38%)
NY Zone A	25.17	35.58	(29%)
NY Zone G	26.13	39.75	(34%)
NY Zone - J	26.98	40.66	(34%)
PJM West	32.53	41.00	(21%)
Pepco Zone	32.05	42.78	(25%)
Midwest	**Q215**	**Q214**	**% Change**
Cinergy	$27.84	$36.83	(24%)
NI Hub	24.50	35.94	(32%)
AD Hub	30.80	39.86	(23%)
South Central	**Q215**	**Q214**	**% Change**
ERCOT North	$23.19	$37.57	(38%)
ERCOT South	23.71	37.85	(37%)
ERCOT West	23.24	37.56	(38%)
ERCOT Houston	23.89	38.99	(39%)
West	**Q215**	**Q214**	**% Change**
Palo Verde	$24.41	$37.79	(35%)
NP 15	33.11	46.26	(28%)
SP 15	29.89	45.08	(34%)
Mid-Columbia	26.08	25.29	3%
Natural Gas	**$2.74**	**$4.59**	**(40%)**

Source: Wolfe Utilities & Power Research, SNL

Wolfe Research Prices vs. Market Prices

In Exhibits 7-9 we highlight our current commodity and power assumptions and compare them to weekly market prices. Please note the market prices are as of 7/9/2015. Alongside this report, our revised commodity price deck incorporates both lower forward power price assumptions as well as lower spark spreads across most regions. That said, our new price deck is still slightly above market.

Exhibit 7: Wolfe 7x24 power price estimates

	2015	2016	2017	2018
PJM West	$37.77	$39.04	$37.88	$37.34
PJM East	$40.57	$42.08	$40.91	$40.25
NEPOOL	$45.58	$49.78	$47.71	$47.08
NY Zone A	$32.40	$34.85	$34.48	$34.78
NY Zone G	$40.74	$42.83	$42.99	$43.83
NY Zone J	$41.68	$44.83	$45.33	$46.04
A/D Hub	$32.68	$36.12	$35.23	$35.12
NI Hub	$27.91	$31.35	$31.24	$31.01
Indiana Hub	$30.16	$33.82	$34.08	$34.75
ERCOT (Houston)	$25.87	$31.66	$33.75	$34.89
ERCOT (South)	$25.43	$30.64	$32.87	$33.83
ERCOT (North)	$25.31	$30.36	$32.08	$33.19
ERCOT (West)	$25.29	$29.04	$30.49	$31.22
NP-15	$34.28	$36.05	$37.08	$37.65
SP-15	$32.61	$35.39	$36.26	$37.33
Mid-C	$25.64	$26.99	$27.59	$29.27
Entergy	$29.37	$34.16	$34.89	$35.92
Palo Verde	$25.76	$29.20	$30.21	$31.07
Nymex Gas ($/Mcf)	$2.90	$3.25	$3.40	$3.50
CAPP Coal ($/ton)	$47.00	$47.00	$50.00	$53.00
PRB Coal ($/ton)	$10.50	$11.25	$12.25	$12.50

Source: Wolfe Utilities & Power Research, Platts

Exhibit 8: Market 7x24 power price estimates

	2015	2016	2017	2018
PJM West	$37.87	$38.11	$36.94	$36.15
PJM East	$40.87	$41.11	$39.94	$39.15
NEPOOL	$45.71	$48.57	$46.47	$46.07
NY Zone A	$32.57	$33.85	$33.38	$33.67
NY Zone G	$40.85	$41.89	$41.95	$42.70
NY Zone J	$42.03	$43.97	$44.38	$44.99
A/D Hub	$32.66	$35.17	$34.17	$34.07
NI Hub	$28.12	$30.55	$30.17	$29.94
Indiana Hub	$30.26	$32.74	$33.02	$33.67
ERCOT (Houston)	$25.91	$30.67	$32.79	$33.68
ERCOT (South)	$25.43	$29.86	$31.81	$32.67
ERCOT (North)	$25.26	$29.32	$31.14	$31.98
ERCOT (West)	$25.13	$28.26	$29.65	$29.98
NP-15	$33.68	$35.01	$36.06	$36.38
SP-15	$32.25	$34.35	$35.36	$36.23
Mid-C	$25.47	$26.01	$26.65	$28.30
Entergy	$29.41	$33.12	$33.98	$34.83
Palo Verde	$25.55	$28.44	$29.43	$30.32
Nymex Gas ($/Mcf)	$2.82	$3.13	$3.33	$3.41
CAPP Coal ($/ton)	$44.96	$45.55	$48.85	$51.65
PRB Coal ($/ton)	$10.51	$10.95	$11.90	$13.00

Source: Wolfe Utilities & Power Research, Platts

Exhibit 9: Market 7x24 vs. Wolfe 7x24

	2015	2016	2017	2018
PJM West	0.3%	(2.4%)	(2.5%)	(3.3%)
PJM East	0.8%	(2.4%)	(2.4%)	(2.8%)
NEPOOL	0.3%	(2.5%)	(2.7%)	(2.2%)
NY Zone A	0.5%	(2.9%)	(3.3%)	(3.3%)
NY Zone G	0.3%	(2.3%)	(2.5%)	(2.6%)
NY Zone J	0.8%	(1.9%)	(2.1%)	(2.3%)
A/D Hub	(0.1%)	(2.7%)	(3.1%)	(3.1%)
NI Hub	0.7%	(2.6%)	(3.6%)	(3.6%)
Indiana Hub	0.3%	(3.3%)	(3.2%)	(3.2%)
ERCOT (Houston)	0.1%	(3.2%)	(2.9%)	(3.6%)
ERCOT (South)	0.0%	(3.3%)	(3.3%)	(3.5%)
ERCOT (North)	(0.2%)	(3.6%)	(3.0%)	(3.8%)
ERCOT (West)	(0.6%)	(2.8%)	(2.8%)	(4.1%)
NP-15	(1.8%)	(3.0%)	(2.8%)	(3.5%)
SP-15	(1.1%)	(3.0%)	(2.5%)	(3.0%)
Mid-C	(0.6%)	(3.7%)	(3.5%)	(3.4%)
Entergy	0.1%	(3.1%)	(2.7%)	(3.1%)
Palo Verde	(0.8%)	(2.6%)	(2.6%)	(2.5%)
Nymex Gas ($/Mcf)	(2.8%)	(3.7%)	(2.1%)	(2.5%)
CAPP Coal ($/ton)	(4.5%)	(3.2%)	(2.4%)	(2.6%)
PRB Coal ($/ton)	0.1%	(2.7%)	(2.9%)	3.8%

Source: Wolfe Utilities & Power Research, Platts

Market Power Prices (6/30/15 vs. 3/31/15)

In Exhibits 10-12 we show market 7x24 power and commodity prices at June 30, 2015 and March 31, 2015. Forward power prices were down across the board, with the exception of ERCOT and the Southwest. Forwards were down 3-5% in PJM, more so in NY and the Midwest; ERCOT and the Southwest flat to up.

Exhibit 10: 6/30/15 Market 7x24

	2015	2016	2017	2018
PJM West	$38.36	$38.53	$37.28	$36.35
PJM East	$41.36	$41.53	$40.28	$39.35
NEPOOL	$47.00	$49.85	$47.26	$46.53
NY Zone A	$32.91	$34.45	$33.66	$33.87
NY Zone G	$41.79	$44.22	$43.67	$42.90
NY Zone J	$42.97	$46.30	$46.08	$45.20
A/D Hub	$33.21	$35.49	$34.47	$34.27
NI Hub	$28.47	$30.79	$30.45	$30.14
Indiana Hub	$30.63	$33.08	$33.36	$33.87
ERCOT (Houston)	$26.00	$31.04	$33.11	$34.46
ERCOT (South)	$25.61	$30.16	$32.12	$33.43
ERCOT (North)	$25.39	$29.73	$31.47	$32.75
ERCOT (West)	$25.30	$28.61	$29.96	$30.66
NP-15	$35.00	$35.67	$36.67	$37.00
SP-15	$33.44	$34.94	$35.98	$36.85
Mid-C	$27.70	$26.86	$26.95	$28.49
Entergy	$29.41	$33.57	$34.28	$35.14
Palo Verde	$26.70	$28.91	$30.05	$30.94
Nymex Gas ($/Mc	$2.86	$3.17	$3.36	$3.44
CAPP Coal ($/ton	$44.83	$45.22	$48.55	$51.35
PRB Coal ($/ton)	$10.51	$11.02	$12.00	$13.00

Source: Wolfe Utilities & Power Research, Platts

Exhibit 11: 3/31/15 Market 7x24

	2015	2016	2017	2018
PJM West	$39.78	$38.94	$38.44	$38.49
PJM East	$42.78	$41.94	$41.44	$41.49
NEPOOL	$53.08	$52.28	$49.82	$47.41
NY Zone A	$36.43	$36.68	$36.23	$36.66
NY Zone G	$46.47	$47.34	$46.15	$46.29
NY Zone J	$48.19	$49.55	$48.46	$48.59
A/D Hub	$34.45	$35.49	$35.53	$36.70
NI Hub	$30.65	$31.19	$31.60	$32.95
Indiana Hub	$32.57	$34.12	$34.98	$36.01
ERCOT (Houston)	$27.66	$31.39	$33.42	$33.20
ERCOT (South)	$26.92	$30.11	$32.57	$32.36
ERCOT (North)	$26.58	$29.72	$31.78	$31.57
ERCOT (West)	$26.42	$28.65	$30.00	$30.03
NP-15	$31.95	$34.35	$36.06	$37.25
SP-15	$31.31	$34.20	$35.79	$37.25
Mid-C	$22.33	$25.56	$28.46	$30.17
Entergy	$29.41	$31.23	$31.72	$32.21
Palo Verde	$25.24	$28.38	$29.93	$31.30
Nymex Gas ($/Mc	$2.83	$3.11	$3.35	$3.45
CAPP Coal ($/ton	$49.46	$50.64	$52.98	$55.98
PRB Coal ($/ton)	$10.85	$11.21	$13.60	$13.60

Source: Wolfe Utilities & Power Research, Platts

Exhibit 12: 6/30/15 vs. 3/31/15 Market 7x24

	2015	2016	2017	2018
PJM West	(3.6%)	(1.1%)	(3.0%)	(5.6%)
PJM East	(3.3%)	(1.0%)	(2.8%)	(5.2%)
NEPOOL	(11.5%)	(4.6%)	(5.1%)	(1.9%)
NY Zone A	(9.7%)	(6.1%)	(7.1%)	(7.6%)
NY Zone G	(10.1%)	(6.6%)	(5.4%)	(7.3%)
NY Zone J	(10.8%)	(6.6%)	(4.9%)	(7.0%)
A/D Hub	(3.6%)	0.0%	(3.0%)	(6.6%)
NI Hub	(7.1%)	(1.3%)	(3.6%)	(8.5%)
Indiana Hub	(5.9%)	(3.0%)	(4.6%)	(5.9%)
ERCOT (Houston)	(6.0%)	(1.1%)	(0.9%)	3.8%
ERCOT (South)	(4.9%)	0.2%	(1.4%)	3.3%
ERCOT (North)	(4.5%)	0.0%	(1.0%)	3.7%
ERCOT (West)	(4.2%)	(0.1%)	(0.1%)	2.1%
NP-15	9.6%	3.8%	1.7%	(0.7%)
SP-15	6.8%	2.2%	0.5%	(1.0%)
Mid-C	24.0%	5.1%	(5.3%)	(5.6%)
Entergy	0.0%	7.5%	8.1%	9.1%
Palo Verde	5.8%	1.9%	0.4%	(1.1%)
Nymex Gas ($/Mc	1.1%	2.0%	0.5%	(0.1%)
CAPP Coal ($/ton	(9.4%)	(10.7%)	(8.4%)	(8.3%)
PRB Coal ($/ton)	(3.1%)	(1.7%)	(11.8%)	(4.4%)

Source: Wolfe Utilities & Power Research, Platts

Earnings Call Calendar

Below, we have provided the 2nd quarter 2015 earnings call calendar for companies in our coverage universe. Please note all times are in Eastern Daylight Time.

July 2015

Monday	Tuesday	Wednesday	Thursday	Friday
20	12pm: 1Q Preview Lunch 21	22	8:30am: CMS 9am: AEP 23	9am: DTE 24
27	11am: POR 28	10am: PCG 11am: EXC 1pm: SO 2pm: WEC 29	9am: TE 10am: CPN, XEL 11am: ITC 12pm: PNW 3pm: SCG 30 4:30pm: EIX	9am: ES 10am: AEE, FE 11am: PEG 31

August 2015

Monday	Tuesday	Wednesday	Thursday	Friday
8:30am: PPL 9am: NEE, NI 10am: CPGX/CPPL 3	11am: ETR 1pm: SRE (projected) 4	10am: WR 12:30pm: D 5	9am: AWK 10am: DUK, LNT, UIL ED (release) 6	9am: DYN, GXP 7
11:30am: CNP 1pm: HE 10	8:30am: TLN 11	12	13	14

Highlights and lowlights

AEP: Losing patience on PPA process

- Our Q2-15 EPS estimate is $0.85 vs. $0.80 last year, ahead of the $0.80 consensus. We expect that rate relief, transmission investment growth and underlying load growth will largely offset the headwinds from lower capacity revenues and lower wholesale margins.
- We believe the focus of the call will be on Ohio and the merchant generation portfolio. With a decision on the FE PPA proposal seemingly delayed to late 2015 or early 2016, we do not believe that AEP is willing to wait that long before making a decision on the divestiture on the merchant fleet. To the positive, as we ultimately believe AEP will sell the merchant fleet, incremental capacity revenue from Capacity Performance should enhance the value of the portfolio.
- We are updating our estimates based on (a) lower assumed forward energy prices and (b) capacity revenue uplift from the PJM Capacity Performance transitional auctions. We are boosting our EPS estimates to $3.42/$3.79/$3.93/$4.14 from $3.45/$3.69/$3.86/$4.17. We are now assuming about $1/MWh lower realized energy prices from the merchant fleet on average. However, for 2016/2017 we assume that 70%-80% of AEP's merchant capacity clears the transitional auction at $125/MW-day and $140/MW-day for 2016/2017, respectively.
- Based on our updated estimates we are also raising our target price on AEP to $64 from $63 to reflect the capacity revenue uplift in 2017.

CNP: Dividend clarity at last?

- Our Q2-15 EPS estimate for CenterPoint is $0.19, two pennies below last year and in line with consensus. We believe that the quarter will be lower versus last year on the combination of lower earnings from Enable, lower transition equity returns, and higher interest expense. These will more than offset higher revenue from customer growth and rate relief.
- The most important update on the conference call is likely to be a new dividend policy. CNP pulled its previous dividend policy given the uncertainty of the growth outlook at Enable. As ENBL is expected to reintroduce 2016 guidance as well as a look into 2017, we expect that CNP will be in a position to give a new dividend policy as well. This is particularly important for CNP given its above-average yield. We believe that CNP will give a more consistent dividend growth target, likely in the low to mid single digits, as opposed to the formula-based approach the company used previously.

CPN: Focus on guidance and level of buybacks into stock weakness

- We forecast 2Q15 EBITDA of $410M, above consensus of $391M and in line with results of $413M a year ago. New asset additions and hedge prices should be additive to results, while the Southeast asset sale and lower PJM capacity revenues are offsetting.
- **We think the key for the stock will be whether CPN can hold the bottom end of its $1.9B - $2.1B guidance range. We think the company can** and we continue to see results tracking to the bottom half of the range. Higher PJM generation volumes and poor hydro conditions in California have likely helped to offset some of the ERCOT pain.
- CPN stock is down 20% since Q1 earnings at the start of May. The company has aggressively repurchased its own shares over the past 3-4 years and we think investors will be focused on whether a strong pace of buybacks continued as the stock fell.

- Other topics for the call are likely to include the announced acquisition of the Champion Energy retail business, low ERCOT spark spreads, and upcoming capacity auctions.
- We are lowering our 2015-18 EBITDA estimates to $1.95B, $1.8B, $1.84B, and $1.91B, respectively. This reflects now lower spark spread assumptions in our updated commodity deck, partially offset by a modest benefit from transitional Capacity Performance revenues. Our target comes down by $2 to $23/share on the lower outlook.

D: Execution phase, trimming estimates on new deck

- Our Q2 EPS estimate is $0.72 vs. $0.62 last year, in line with consensus. The quarter should be solid, as the absence of a Millstone outage, rate relief and better weather comps should drive the quarter higher.
- Following the comprehensive outlook for both D and DM given at the analyst day earlier this year we do not expect a lot of new announcements – Dominion is in execution mode. Rather, we expect an overall progress update on Cove Point, Brunswick, and Greenville, as well as the Atlantic Coast Pipeline.
- Based on our updated commodity deck that is priced closer to current market, we are trimming our EPS estimates for Dominion to $3.66/$3.78/$3.99/$4.42 from $3.67/$3.81/$4.05/$4.48. This primarily reflects lower assumed prices in New England.

DUK: Tough comp on international

- We are forecasting Q2 operating EPS of $0.96 vs. $1.11 last year, below the $1.00 consensus. The quarter will be a tough comp as a couple one-time gains last year will not recur and the company still faces material headwinds at the international segment. Q2-14 benefited from $0.07/sh of tax gains in Chile; this year the international operation will see lower earnings from Brazil hydro given low reservoir levels and dispatch changes, lower oil prices at National Methanol, and weaker than expected f/x rates. On the domestic front, nuclear cost levelization will also be a modest drag and there was a $0.05/sh state tax benefit last year. Core customer demand growth and rate base investment will be helps, and the accelerates share buyback should offset the absence of earnings from the divested Midwest generation fleet.
- Duke has the good-problem-to-have of a lot of cash coming in from the generation sale, international repatriation, and the upcoming Florida nuclear securitization – but they need to find attractive reinvestment opportunities for this cash. The company already has done the share buyback and it appears that the NCEMPA generation purchase could close sooner than expected.
- DUK has also made progress on its coal ash remediation plan in North Carolina – we expect an update on this as well.
- Given TECO's disclosure that it has begun a process to evaluate strategic alternatives, we expect that Duke's management may be asked about its interest in TE.

DYN: Can DYN break the Analyst Day hangover? CP auctions will be key

- We forecast 2Q15 EBITDA of $180M, almost entirely attributable to the assets acquired from Duke and EquiPower. This is below consensus of $195M. We see a very tough quarter for the Coal segment given low power prices, outages, and a partially unhedged portfolio position. The Gas segment should do well on strong spark spreads.
- We think DYN will maintain its 2015 guidance range, but is likely no longer tracking to the upper half of the range as commodity prices have declined and the company was still partially unhedged

- We expect the Q2 earnings update to be relatively brief after the June Analyst Day. We expect a lot of investor attention on the results of the transitional 2016-17 and 2017-18 Capacity Performance auctions, both of which will be released prior to DYN's Q2 call. It is unclear to us if DYN will disclose how much capacity clears in the auctions.
- We are lowering our 2015 EBITDA estimate by $90M to $900M (slightly below the midpoint of DYN's guidance) on lower commodity prices. We are raising our 2016E $5M higher to $1.27B as transitional CP revenues more than offset lower commodity prices and negative modeling adjustments based on DYN's Analyst Day disclosures. We are lowering our 2017E by $60M on lower commodities and disappointing Analyst Day disclosures, partially offset by transitional CP revenues. Lastly, we lower our 2018E by $155M on weaker commodity price assumptions. Our target comes down by $4 to $35/share on the lower EBITDA outlook and increased capex assumptions that have reduced free cash flow.

EIX: Waiting for resolution on SONGS and GRC

- We estimate 2Q15 earnings of $0.82, in line with consensus; the expected GRC rate relief will not be trued up until a final decision is rendered later this year. The key updates will be on the SONGS OII case, GRC and Distributed Resources Plan (DRP) filing.
- Regarding the SONGS OII case, there have been several developments since the previous earnings call, some of which include:
  - By order of the ALJs, SCE disclosed emails pertaining the November 2014 settlement.
  - ALJs have again requested the CPUC extend the deadline to close the case by another two months to 9/27; the OII remained open following approval of the settlement.
  - TURN, a signatory to the settlement, called for it to be reopened. The other key signatory the settlement, the ORA, did not but called for sanctions against SCE for alleged ex parte violations; however, both TURN and ORA noted the settlement was good for customers, which CPUC president Picker reiterated earlier this year in a letter to a state legislator.
- Regarding the 2015-17 GRC, there have been little updates other than SCE's proposed reduction in the requested increase related to changes in tax assumptions; these would not be earnings impacting. An ALJ decision could come as early as next month, with a final CPUC decision a month or so after that.
- We also expect management to discuss its investment opportunities included in the 7/1 DRP filing, particularly how those investments will support annual capex of at least $4B beyond 2017.

ES: Northern Pass Draft EIS could be main focus

- We estimate 2Q15 earnings of $0.58, slightly better than consensus and much better than 2Q14 earnings of $0.42, with key drivers being absence of a $0.10 FERC-related charge and CL&P rate relief.
- The US DoE is expected to issue a draft EIS this month or early next, which will detail the environmental impact from ES' preferred route for its Northern Pass project and other routes. The release will trigger the approval process in NH, as ES plans to file for a permit with the NH Site Evaluation Committee in a couple of months; the process is expected to take up to 12 months after the NH SEC accepts ES' application.

- We expect ES to discuss the RFPs for clean energy and transmission capacity in New England, as well as the legislation that has passed or is pending in CT and MA that would support bringing down Canadian hydropower to the region.
- We also anticipate ES to provide an update on Access Northeast, with the open season now concluded; its key partner in the proposed pipeline, Spectra, will report on 8/5. A key question is whether both Access Northeast and Kinder Morgan's proposed Northeast Energy Direct lines can be built in the region.

ETR: The non-PJM name also seeing weaker power markets

- We estimate 2Q15 earnings of $1.13, slightly below consensus, with lower merchant revenue the main negative driver.
- Near-term forward power prices in ETR's key NY and New England markets declined between 3/31/15 and 6/30/15. For 2015, NY Zone G and NEPOOL prices fell 10% and 12%, respectively. For 2017, they both declined around 5%.
- Based on our updated price deck, we are lowering our 2015-18E to $5.60/5.29/5.38/5.72 from $5.70/5.38/5.67/6.01. We are also lowering our PT by $2 to $84.
- On the earnings call, we also anticipate ETR will update investors on its sales growth outlook in the Gulf Region, particularly as oil/gas prices remain under pressure, and its change in strategy to put one of the Union Power units in its New Orleans utility instead of Texas.

EXC: In line results; weaker forward power prices, POM the likely focus

- We forecast 2Q15 EPS of $0.51, slightly below consensus of $0.52 and in line with EXC's guidance of $0.45-$0.55. EXC had strong nuclear operations during Q2, in contrast to the year ago period, and market conditions appeared favorable for retail.
- Key topics on the call are likely to include the outlook for D.C. PSC approval of the Pepco acquisition, expectations for upcoming capacity auctions, and the recent weakening in forward power prices
- We are lowering our 2015 EPS estimate by $0.01, raising 2016E by $0.07, lowering 2017E by $0.01, and lowering 2018E by $0.24. Our new 2015-18 estimates are $2.46, $2.44, $2.55, and $2.46, respectively. Changes reflect the incorporation of upside from PJM transitional capacity auctions (mainly in 2016 and 2017), as well as now lower power price assumptions (more significant impact in 2018). Our target price comes down $1 to $37/share.
- In the table below we show total and open gross margin as of 3/31 (EXC's prior disclosure) and 6/30 (our estimate of their Q2 disclosure). We expect flat gross margin for 2015, a $50M reduction for 2016, and a $150M reduction for 2017 due to lower power prices.

Wolfe Research Projected EXC Total and Open Gross Margin	2015	2016	2017
6/30/2015			
Total Gross Margin Estimate	7,600	7,400	7,500
Open Gross Margin Estimate	5,250	5,750	5,800
3/31/2015			
Total Gross Margin	7,600	7,450	7,650
Open Gross Margin	5,600	5,900	6,050

FE: More clarity on cost cutting plans and thoughts on Ohio PPA delays

- Our Q2 operating EPS estimate for FirstEnergy is $0.46 vs. $0.49 last year, two pennies below consensus. We expect that rate relief at the PA and NJ utilities will offset some of the downside from Solutions and higher parent drag.
- On the Q1 call, FirstEnergy management introduced a cost cutting initiative, targeting $200M in operating and capital cost reductions over the next few years. We expect more detail on this call on the finalized target, plus the split between O&M and capital, and how much is to be realized at the regulated vs. unregulated operations.
- Despite some success on FE's front to get more parties onto the PPA settlement in Q2, the timeline for a decision on the long term contracts keeps getting pushed back FE's comments on the PPA discussion, particularly in light of the interim capacity performance auctions, will be interesting.
- We do not expect a significant change in the EBITDA outlook for Solutions in 2015/2016. Power forwards for 2016 at PJM-W and AD Hub ended Q2 very close to where they were at the end of Q1.
- We are trimming our estimates for FE based on our revised commodity price assumptions as well as our estimates for transition capacity performance upside. Note that other companies in PJM West are bigger beneficiaries of the transition auctions - this is because for the 2016/2017 delivery year about half of FE's fleet is already benefiting from higher ATSI capacity prices. Our revised estimates are $2.53/$2.63/$2.43/$2.53 for 2015-2018 vs. our old $2.57/$2.61/$2.42/$2.56.

GXP: Quarter miss but wide guidance intact

- We estimate 2Q15 earnings of $0.27, below consensus, as milder weather, lower gas prices (wholesale margins), and lower AFUDC equity earnings should weigh on results. However, we do not believe GXP will lower its already wide guidance of $1.35-1.60.
- GXP has pending rate cases in MO and KS, where it is currently allowed ROEs of 9.7% and 9.5%, respectively. The requested rate increases, which are largely for recovery of the La Cygne environmental project, are in the 13-16% range. Partial settlements indicate the rate increases could be over half of the requested rate increases.
- There may be initial discussions at the MoPSC on GXP rate case before the company's 8/7 earnings call. Interestingly, the chairman is expected to depart before a final decision is rendered. The allowed ROE, property tax tracker and fuel adjustment clause are key issues in the rate case.

ITC: What prospective ROE to use and when will that be set?

- We estimate 2Q15 earnings of $0.54, in line with consensus; this assumes a 12.38% base ROE in MISO.
- Since releasing 4Q14 earnings, ITC has recorded an aggregate estimated a regulatory liability for probable refunds related to a presumably lower ROE; FERC is reviewing a November 2013 MISO ROE complaint, covering a 15-month period ending 2/12/15. ITC took an $0.18 charge for the period through YE14 and another $0.03 in 1Q15.
- ITC's 2015 guidance of $2.00-2.15 continues to assume no change in the 12.38% base ROE; it does not reflect potential for the company to buyback $130M of shares remaining under its board-authorized program.
- FERC recently set a second MISO ROE complaint to hearing, implying the ROE set in the initial proceeding will be supplanted by that set in the second complaint. An ALJ decision in the initial case is expected 11/30 and a final decision likely in 2H16. For the second case, the ALJ is expected 6/30/16 and a final decision in 2017. Therefore, ROE uncertainty appears to remain into 2017.
- We also expect an update on the Lake Erie connector, a non-traditional transmission project. ITC is currently conducting an open season and has begun the filing process for various permits. A cost estimate is not expected until yearend, with an in-service date of 2019.

LNT: Continuing to plod along

- Our 2Q15 EPS estimate is $0.60 vs. $0.56 last year, in-line with consensus. Lower base rate freeze credits at IPL, higher weather-normal sales, and lower energy efficiency cost recovery at WPL should drive earnings; partially offset by mild weather, higher transmission expense at WPL, higher income taxes, and share dilution.
- A turnaround in sales growth would show necessary improvement after a disappointing Q1. Having said that, weather-normalization likely skewed the numbers in Q1, making the negative growth seem worse than it really was. LNT has maintained confidence in its outlook for 1%/2% weather-normalized growth at IPL/WPL respectively.
- Most major announcements won't come until the Q3 call (2016 guidance, updated capex/rate base disclosures, etc.), so the call should be relatively quiet. The MISO transmission ROE overhang may get some more attention now that the data cutoff date has been reached, though LNT's sensitivity is no more than a few pennies and they have already started booking reserves.
- Construction on LNT's Marshalltown CCGT continues to move along nicely, while the next project in focus has now become the Riverside CCGT in Wisconsin. Final approval is unlikely before next year, but WEC/TEG's withdrawal of their plan to build the Fox Energy CCGT in Wisconsin has LNT feeling better about their chances for approval. This is in numbers and is a big part of future rate base growth in Wisconsin.

NEE: A couple wins on the regulated front in Q2; watching wind conditions

- We are forecasting Q2 operating EPS for NEE of $1.49 vs. $1.43 last year, just below the $1.51 consensus. NEE should continue to benefit from rate base investment at the utility as well as new projects at Resources. Wind conditions could be a concern in Q2 following very poor conditions in Q1. We note that Brookfield Renewable Energy Partners recently preannounced earnings, highlighting weak wind conditions. That said, BEP's wind is located more on the West Coast and NEE is much more diversified.

- Given the recent analyst day we do not expect significant new disclosures on the call. However , NEE may discuss the progress it made on the utility side in Q2, namely the rate based gas production guidelines approved by the PSC. FPL also announced recently that it would seek regulatory approval for the 1,600 MW combined cycle facility in Okeechobee County.
- The approval process on the HE deal continues to move ahead. NEE may be reticent to discuss Oncor given the recent bid by Hunt that appears to be the favored path for EFH. That said, we do believe that NEE is looking to boost its proportion of regulated earnings and it may comment more on that front.
- We are trimming numbers modestly on lower market power price assumptions, largely in New England and Texas. Our new 2015-2018 EPS estimates are $5.48/$6.09/$6.44/$6.88 vs. $5.51/$6.11/$6.47/$6.89.

NI/CPGX: Last time for a combined call

- Our EPS estimate for Q2 is $0.21 vs. $0.25 last year, below the $0.25 consensus. Note that NI will report Q2 as a combined entity as the separation did not occur until July 1. We expect a down quarter vs. last year given the costs of the separation, mainly on the timing of the permanent financing for Columbia and the IPO Columbia Pipeline Partners.
- Even though NI will report combined results, each company will do separate conference calls on August 3. Given the amount of disclosure both gave in May we do not expect material updates. For NI, we believe the company could give an update on the condition of the balance sheet post split (we believe it will be a little better than guided to pre-separation). For CPGX, the Mountaineer project is in formal execution mode and we expect some updates on future growth plans.

NRG: Buy into earnings – beating numbers and VSLR read-thru

- We forecast 2Q15 EBITDA of $750M, above consensus of $697M and results of $671M a year ago. We expect continued strong results from the retail business, while acquisitions at NYLD such as Alta Wind add to NRG's consolidated results YoY. The company was over-hedged on baseload coal and nuclear generation and thus could even benefit from the low power price environment.
- We think NRG will maintain its 2015 guidance range despite likely tracking above the top end of the range. Keep in mind the company raised and then had to later lower guidance in each of the last two years, providing a strong incentive not to raise guidance again this year before getting through the entire summer. That said, with an over-hedged baseload fleet, strong retail margins on low power prices, and a significant gas peaking fleet in the East that benefits from extremely low gas prices, we think NRG is having a very strong year.
- **Stock performance, SOTP value realization, and buybacks likely a hot topic.** We expect NRG to highlight the value it sees in Home solar given the planned $2.2B takeout of competitor Vivint Solar (VSLR) by SunEdison (SUNE). A potential spin-off of clean energy businesses, while potentially premature, has been garnering increased attention from investors as NRG stock continues to underperform. We would not be surprised if management talks more openly about options to receive SOTP value, and think the company could be even more aggressive on stock buyback plans as well.
- We are raising our 2015E by $15M to $3.34B on the Desert Sunlight acquisition at NYLD (which is consolidated by NRG). We raise 2016E by $95M to $3.025B on Desert Sunlight and transitional CP auction revenues, partially offset by lower power price assumptions. We are raising our 2017E by $75M to $2.905B on the same drivers. Lastly, we are lowering our 2018E by $50M to $3.0B as a larger cut to our commodity

price assumptions more than offsets Desert Sunlight and a smaller uplift from transitional CP auctions in 2018. We are reiterating our target at $30/share.

PCG: Quarter beat but guidance likely cut, both due to timing

- We estimate 2Q15 earnings of $0.80, above consensus, as timing from PCG's GRC filing makes 2Q14 an easier comp.
- PCG said its 2015 guidance of $3.50-3.70 would decline by $0.60 if the utility did not receive a decision in the GT&S rate case this year. Last month, the ALJ in that case delayed a final decision into 2016, implying PCG will cut its guidance. Our 2015E of $2.98 and 2016E of $4.43 reflect the delay.
- With the utility president retiring by yearend and CEO Tony Earley expected to retire in 2016, we will be focused on any discussion around PCG's CEO succession plan.
- We also expect an update on the state and federal investigations into ex parte communications between PCG and the CPUC, the Fresno explosion investigation, timing of the next dividend hike, and safety culture investigations.

PEG: Leidy advantage shrinks, but still having a good year

- We forecast that PEG will report 2Q15 EPS of $0.56, a penny above consensus of $0.55 and up from $0.49 a year ago. We see continued solid utility growth and stronger earnings at Power given favorable comps vs. the 2Q14 period which saw an extended Salem nuclear plant outage and outage work on the Linden CCGT uprate.
- We think PEG will maintain its 2015 EPS guidance of $2.75-$2.95/share. The company had a very strong Q1 with help from off-system gas sales. The outlook has since declined modestly, however, on weak pricing in Eastern PJM and as PEG's advantageous access to Leidy gas has become less valuable with gas prices across the PJM region moving to very low levels.
- We are lowering our 2016 EPS estimate by $0.02 to $2.96, lowering 2017E by $0.06 to $2.90, and lowering 2018E by $0.13 to $2.92. This reflects lower power price and spark spread assumptions, and we note that PEG receives little benefit from transitional CP auctions given already high pricing in the PS capacity zone. We have incorporated the planned Keys CCGT plant in our estimates, which adds $0.05 to our 2018 view. Our price target comes down $2 to $43/share on the lower earnings outlook.

POR: No favors from weather once again

- We forecast 2Q15 EPS of $0.37, a miss vs. consensus and down from $0.43 a year ago. While it doesn't appear to be as drastic as Q1, weather once again failed to do POR any favors in Q2. The temperature was mild, hydro conditions were even worse than the haircut factored into guidance and wind was relatively weak as well. Lower O&M on the back of an increased focus on cost control, rate relief, and an easier sales growth comp should help mitigate the weather issues to some degree.
- POR slashed guidance by 15 cents in Q1 due to weather's impact, but we don't see the effect as being as dramatic in Q2. As part of the revised guidance drivers, POR assumed 79% of normal hydro conditions, but even this assumption failed to be conservative enough as actual hydro proved to be modestly lower. Weaker wind conditions may once again weaken benefits from PTCs and result in increased purchase power. Important to note, is that Mid-C was virtually the only region that saw spot prices that didn't collapse in Q2 – though the higher prices mainly came toward the very end of the quarter where POR may have already locked in lower purchased power prices.

- The weather's impact in the first half of the year and the always tricky PCAM once again highlights the volatility of POR's earnings. POR is working hard to pull renewables out of the variable cost mechanism, a potential positive, but the ongoing discussion in the docket seems to be making little progress.
- Separately, the 2016 GRC is an ongoing ROE risk for POR, with Staff recently recommending a 9.16% allowed ROE (POR asked for 9.9% and is currently allowed 9.68%). A partial settlement resolved many of the other issues in the rate case and POR remains optimistic that it can continue its run of settlements (it has settled its last 3 rate cases) ahead of a final commission decision expected in the fall.

PPL: Potential increase to 2015 guidance

- We forecast 2Q15 EPS of $0.45, slightly below consensus of $0.47. We see a slight reduction in earnings YoY in the U.K. as RIIO went into effect in Q2, and note that Kentucky is unlikely to see much growth until Q3 when new rates go into effect.
- Despite forecasting a slight Q2 miss, we think PPL could raise its $2.05-$2.25 EPS guidance or tighten to the high end of the range. The year appears to be progressing well, we do not believe PPL fully incorporated the benefits of an accounting change in the U.K. in its initial guidance, and the company has now secured a constructive outcome in the Kentucky rate case during Q2.
- We are raising our 2015-18 EPS estimates by $0.02-$0.04/sh in each year primarily on an increased assumed benefit from lower depreciation expense in the U.K. on the back of the accounting change. Our target comes down $2 to $35/share as we reflect the completion of the Talen spin-off transaction.

SCG: Weather again helps earnings but focus on new nuke project

- We estimate 2Q15 earnings of $0.68, slightly above consensus; helped again by warmer weather than normal.
- We do not anticipate any guidance changes, as the company's 2015 guidance of $3.60-3.80 is weather adjusted.
- The main update we expect is on the new nuclear project; SCG and intervenors recently filed a settlement on the revised integrated project schedule and associated delay costs: June 2019/2020 for the two units and $700M more in 2007 dollars. The allowed ROE of 10.5% will be prospectively applied on new nuclear investments.
- We could hear from management on the impact, if any, on the financial guarantee for its contract with the Consortium (CB&I, Westinghouse) following Toshiba's recent announcements.

SO: Focus will be on Kemper cost recovery, Vogtle

- We estimate 2Q15 earnings of $0.71, above consensus and SO's guidance of $0.69, mostly due to abnormal weather.
- A monthly update on Kemper is expected after market close on 7/28. The latest cost estimate is $6.23B and the project is expected to be complete by 3/31/16. Cost recovery and prudency remain unknown, which we view as a major overhang on the stock. And fall elections for all three seats on the MS PSC add to regulatory uncertainty.
- MS Power's rate proposals, including a subsequently requested interim rate relief for plant-in-service, underscore the financial pressure MS Power faces after a 2013 MSPSC rate order was found illegal, which will result in a roughly $350M refund/credit. MS Power also returned about $300M to SMEPA after it backed out of purchasing a 15% stake in Kemper.

- We do not anticipate much new on Vogtle nuclear units 3 and 4, as a decision in the VCM 12 proceeding is expected next month. However, we could hear from management on the impact, if any, on the financial guarantee for its contract with the Consortium (CB&I, Westinghouse) following Toshiba's recent announcements.

SRE: Q2 could be better than expected, but making progress on base plan

- Our Q2 operating EPS estimate for Sempra is $1.05 vs. $1.08 last year, above the $0.99 consensus. Even with the roughly $0.13/sh headwind from the shift to seasonal rates at SoCalGas, we believe that SRE can offset much of this via core growth initiatives at the utilities and unregulated operations. Additionally, in its 10Q Sempra indicated that it would take an approximate $11M tax true-up benefit at SoCalGas in Q2, a $0.04/sh benefit that we are not sure is being reflected in consensus.
- Base case execution on track. We expect management to highlight its success thus far in executing on the base 11% growth rate, including progress on the rate cases that is better than expected.
- The incremental growth project execution has also successful, including the recent pipeline win in Mexico (note that IEnova has won 2 of the 3 Mexico-only RFPs this far) as well as the progress on the Cameron expansion and Port Arthur on Q2 – we expect an update here as well.

TE: The latest potential deal to discuss

- We forecast 2Q15 EPS of $0.28, more or less in-line with consensus and 2Q14, as the New Mexico gas business is expected to be seasonally earnings-negative during the shoulder months. Financing for the deal – equity/debt issuance – is expected to lead to dilution and higher interest expense. Favorable weather and a $7.5M rate step-up from the 2013 rate case will provide a mitigating benefit for the electric business.
- The focus on TE is now clearly centered around the M&A story after the company confirmed last week that it had signed on Morgan Stanley as an advisor to explore "strategic alternatives." The press release came out in response to a *Sparkspread* article that claimed that bids for TE were due this week, but TE has effectively put up a wall – announcing its intention to avoid any commentary on the potential sale until a definitive/binding agreement has been made. Regardless, the call will likely feature questions on potential acquirers, though we don't expect to learn much new unless a deal is reached beforehand. One issue to be cognizant of is TE's original agreement to own New Mexico Gas for the next 10 years. However in the current capital markets environment, we still see a sale as highly likely to get done.
- For the first time in what seems like a while, the ever-pending coal sale should avoid being the main focus of the call. A non-binding coal sale agreement with an undisclosed buyer fell through in early July, after TE seemed to express confidence in finally closing the deal given the buyer didn't require external financing. The timeline for getting anything done is now less clear without a definitive deadline or buyer at this point. We're not expecting any major updates here on the call, but would imagine a potential buyer of TE would be uninterested in the coal business.

TLN: Favorable Q2 update as over-hedged on coal with upside from gas

- We forecast that TLN will report 2Q15 EBITDA of $185M, above consensus of $169M. Q2 is a seasonally weaker quarter for power, though TLN's gas plants could benefit from extremely low gas prices in Pennsylvania that have likely led to increased run times.

- We think TLN will maintain 2015 EBITDA guidance of $935M - $1,085M as the key summer period has not yet concluded. That said, we think the year is tracking well as Talen was over-hedged on coal-fired generation (i.e., net short power) and has likely seen a notable uptick in gas-fired generation output at the Martins Creek peaker and Sapphire gas plants in NJ given very low gas prices.
- We have raised 2015-18 EBITDA estimates to $1,045M, $1,030M, $870M, and $820M, respectively, on the announced MACH Gen acquisition, better peaker economics given low gas prices, and transitional CP upside, partially offset by lower power price and spark spread assumptions. We are maintaining our target at $19/share.

UIL: Merger process continues to spark more questions than answers

- We expect 2Q15 earnings of $0.24, a nickel below consensus and in-line with the year ago quarter. Continued customer growth and fewer issues with uncollectible expenses than a year ago should provide a benefit in Q2. 2015 guidance of $2.30-2.50 looks safe, but UIL may be tracking toward the lower end.
- The pending merger with Iberdrola's U.S. subsidiary is clearly the bigger story for the stock than Q2 earnings. The approval process hit a snag in late June, when the CT PURA issued a draft order against the merger. Now it's back to the drawing board as UIL/Iberdrola plan to resubmit their merger application by the end of July, restarting the 120-day statutory time limit in CT. The draft order denying the merger pointed to several issues with the initial application, namely the lack of quantifiable or tangible information regarding the public interest of the merger and benefits to ratepayers. We would expect some more clarity on the call from UIL on what sort of givebacks they can provide to get the deal done (ie: ring-fencing, post-merger savings, etc.).
- In what seemed to become apparent on the Q1 earnings call when discussing the size of their wind project backlog, UIL doesn't seem to entirely be on the same page as Iberdrola. Investors remain skeptical of the projected 10% long-term earnings growth rate of the combined entity. We are still waiting on the S-4 (expected before the Q2 call) to get a better sense of numbers.

WEC: First call as WEC Energy Group; additional combined entity detail key

- We estimate standalone 2Q15 earnings of $0.56; in-line with consensus and at the top-end of management's guidance range. Mild weather in the Midwest should hurt along with an up-tick in O&M, but non-fuel electric rate relief should provide an offset, though not enough to prevent a YoY decrease. We are not expecting a Q2 EPS number for the combined company on the call.
- 2015 guidance for the standalone company ($2.67-2.77) will likely be reiterated and Q3 guidance will be issued (also for the standalone). However, we expect the company to provide additional color on the call on what exactly we can expect with regards to combined company disclosures over the remainder of the year.
- The merger approval process went relatively smoothly and WEC's focus now shifts to integrating the TEG businesses and trying to extract incremental value – namely at struggling Peoples Gas in Illinois. The oft-headlined accelerated main replacement program (AMRP) has clearly been an issue for TEG and WEC hopes to carry its historical track record of execution over to quiet the critics.

WR: Getting closer to moving past ROE overhang

- Our 2Q15 estimate of $0.42 is a touch below consensus and a penny above 2Q14. O&M savings, the environmental and transmission riders, along with improving sales growth should drive quarterly earnings; offset by higher D&A related to La Cygne, milder weather, and share dilution.
- After cutting full-year guidance in Q1, WR looks more on track to hit the revised range ($2.18-2.33). Starting to book a transmission ROE refund in Q1 will continue to be an earnings drag for the remainder of the year ($14M in total), but the settlement with the KCC removes some uncertainty (9.8% allowed base ROE).
- WR is now working to remove its second ROE overhang – its ongoing general rate case. The company is still optimistic on reaching a settlement similar to its previous GRC, but the simultaneous GXP case in Kansas has led to issues in finding differentiation. The Staff recommendation of a 9.25% ROE in early July matched the GXP case and much of WR's additional requests in the case were shut down. For example, Staff advised that the bond index tracking mechanism be explored outside of the rate case and didn't approve the electric grid resiliency rider either. The rate case outcome is a key catalyst for the stock and would remove a major ROE risk overhang. As a reminder, we took our estimates down in Q1 to assume a 9.5% allowed ROE is ultimately granted in the rate case.

DISCLOSURE SECTION

Analyst Certification:

The analyst of Wolfe Research, LLC primarily responsible for this research report whose name appears first on the front page of this research report hereby certifies that (i) the recommendations and opinions expressed in this research report accurately reflect the research analysts' personal views about the subject securities or issuers and (ii) no part of the research analysts' compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this report.

Other Disclosures:

Wolfe Research, LLC Fundamental Stock Ratings Key:

Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.
Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
Underperform (UP):	The security is projected to underperform analyst's industry coverage universe over the next 12 months.

Wolfe Research, LLC uses a relative rating system using terms such as Outperform, Peer Perform and Underperform (see definitions above). Please carefully read the definitions of all ratings used in Wolfe Research, LLC research. In addition, since Wolfe Research, LLC research contains more complete information concerning the analyst's views, please carefully read Wolfe Research, LLC research in its entirety and not infer the contents from the ratings alone. In all cases, ratings (or research) should not be used or relied upon as investment advice and any investment decisions should be based upon individual circumstances and other considerations.

Wolfe Research, LLC Sector Weighting System:

Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

Wolfe Research, LLC Distribution of Fundamental Stock Ratings (As of June 30, 2015):

Outperform:	40%	1% Investment Banking Clients
Peer Perform:	47%	1% Investment Banking Clients
Underperform:	13%	4% Investment Banking Clients

Wolfe Research, LLC does not assign ratings of Buy, Hold or Sell to the stocks it covers. Outperform, Peer Perform and Underperform are not the respective equivalents of Buy, Hold and Sell but represent relative weightings as defined above. To satisfy regulatory requirements, Outperform has been designated to correspond with Buy, Peer Perform has been designated to correspond with Hold and Underperform has been designated to correspond with Sell.

Wolfe Research Securities and Wolfe Research, LLC have adopted the use of Wolfe Research as brand names. Wolfe Research Securities, a member of FINRA (www.finra.org) is the broker-dealer affiliate of Wolfe Research, LLC and is responsible for the contents of this material. Any analysts publishing these reports are dually employed by Wolfe Research, LLC and Wolfe Research Securities.

The content of this report is to be used solely for informational purposes and should not be regarded as an offer, or a solicitation of an offer, to buy or sell a security, financial instrument or service discussed herein. Opinions in this communication constitute the current judgment of the author as of the date and time of this report and are subject to change without notice. Information herein is believed to be reliable but Wolfe Research and its affiliates, including but not limited to Wolfe Research Securities, makes no representation that it is complete or accurate. The information provided in this communication is not designed to replace a recipient's own decision-making processes for assessing a proposed transaction or investment involving a financial instrument discussed herein. Recipients are encouraged to seek financial advice from their financial advisor regarding the appropriateness of investing in a security or financial instrument referred to in this report and should understand that statements regarding the future performance of the financial instruments or the securities referenced herein may not be realized. Past performance is not indicative of future results. This report is not intended for distribution to, or use by, any person or entity in any location where such distribution or use would be contrary to applicable law, or which would subject Wolfe Research, LLC or any affiliate to any registration requirement within such location. For additional important disclosures, please see www.WolfeResearch.com/Disclosures.

The views expressed in Wolfe Research, LLC research reports with regards to sectors and/or specific companies may from time to time be inconsistent with the views implied by inclusion of those sectors and companies in other Wolfe Research, LLC analysts' research reports and modeling screens. Wolfe Research communicates with clients across a variety of mediums of the clients' choosing including emails, voice blasts and electronic publication to our proprietary website.

This report is limited for the sole use of clients of Wolfe Research. Authorized users have received an encryption decoder which legislates and monitors the access to Wolfe Research, LLC content. Any distribution of the content produced by Wolfe Research, LLC will violate the understanding of the terms of our relationship.

BARCLAYS

Equity Research

Power & Utilities | North America Power & Utilities

3 November 2015

NiSource, Inc.

Attractive Gas and Electric Story

NI is the company with one of the highest proportions of gas in its mix "*High Quality Utility with Robust Investment Backlog*" (7/6/15). We are raising our price target $2 to $19 following a successful Q3 and reiteration of the financial forecast but it wouldn't be unusual for the stock to trade at or above our fundamental target with recent M&A deals consistent with our highlighting of excess leverage in "*Balance Sheet Matters*" (10/1/15). Our revised $19 target reflects a 10% premium (6% previously) to the regulated utility average P/E multiple of 15.1x (14.2x previously) and $1.14 in 2017.

NI expects EPS and DPS growth of 4-6% with a 60-70% payout ratio. Regarding ratebase growth NI indicated 6-8% is a good range for both electric and gas.

NI maintained 2016 EPS guidance of $1.00-$1.10 which is consistent with our outlook. Q3 operating EPS of $0.06 was ahead of the $0.02 consensus driven by gas rate relief and cost control. We maintain our EPS estimates of $1.44 for 2015, $1.07 for 2016 and $1.14 for 2017. Our 2018 EPS of $1.20 implies 6% growth and assumes a $350M equity issuance.

NI: Quarterly and Annual EPS (USD)

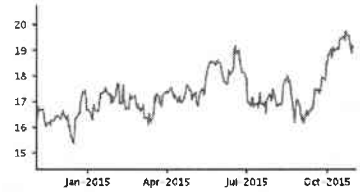
	2014	2015			2016			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2015	2016
Q1	0.82A	0.85A	0.85A	0.85A	N/A	N/A	0.60E	4%	N/A
Q2	0.25A	0.20A	0.18A	0.18A	N/A	N/A	0.08E	-28%	N/A
Q3	0.14A	N/A	0.06A	0.02E	N/A	N/A	0.04E	-57%	N/A
Q4	0.51A	N/A	0.35E	0.33E	N/A	N/A	0.34E	-31%	N/A
Year	1.72A	1.44E	1.44E	1.37E	1.07E	1.07E	1.06E	-16%	-26%
P/E	11.2		13.3			17.9			

Source: Barclays Research.
Consensus numbers are from Thomson Reuters

Stock Rating	EQUAL WEIGHT Unchanged
Industry View	NEUTRAL Unchanged
Price Target	USD 19.00 raised 12% from USD 17.00
Price (02-Nov-2015)	USD 19.18
Potential Upside/Downside	-1%
Tickers	NI
Market Cap (USD mn)	6097
Shares Outstanding (mn)	317.86
Free Float (%)	99.41
52 Wk Avg Daily Volume (mn)	4.8
52 Wk Avg Daily Value (USD mn)	83.64
Dividend Yield (%)	3.2
Return on Equity TTM (%)	6.67
Current BVPS (USD)	20.48

Source: Thomson Reuters

Price Performance Exchange-NYSE
52 Week range USD 19.85-15.26



Link to Barclays Live for interactive charting

North America Power & Utilities
Daniel Ford, CFA
+ 1 212 526 0836
daniel.x.ford@barclays.com
BCI, US

Gregg Orrill
+ 1 212 526 0865
gregg.orrill@barclays.com
BCI, US

North America Power & Utilities **Industry View: NEUTRAL**

NiSource, Inc. (NI)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2014A	2015E	2016E	2017E	CAGR
Revenue	6,471	5,014	5,124	5,229	-6.9%
EBITDA (adj)	1,868	1,600	1,469	1,542	-6.2%
EBIT (adj)	1,262	1,095	945	1,003	-7.4%
Pre-tax income (adj)	841	706	529	568	-12.3%
Net income (adj)	531	459	344	369	-11.4%
EPS (adj) ($)	1.72	1.44	1.07	1.14	-12.9%
Diluted shares (mn)	316.6	319.2	321.7	324.6	0.8%
DPS ($)	1.04	0.83	0.65	0.69	-12.8%

Margin and return data					Average
EBITDA (adj) margin (%)	28.9	31.9	28.7	29.5	29.7
EBIT (adj) margin (%)	19.5	21.8	18.4	19.2	19.7
Pre-tax (adj) margin (%)	13.0	14.1	10.3	10.9	12.1
Net (adj) margin (%)	8.2	9.2	6.7	7.1	7.8
ROIC (%)	7.8	10.8	9.3	8.8	9.2
ROA (%)	2.1	2.5	1.8	1.9	2.1
ROE (%)	8.6	11.5	8.3	8.4	9.2

Balance sheet and cash flow ($mn)					CAGR
Net PP&E	16,017	12,000	12,840	13,585	-5.3%
Total net assets	24,866	18,272	19,041	19,796	-7.3%
Capital employed	16,175	10,140	10,185	11,340	-11.2%
Shareholders' equity	6,175	3,982	4,167	4,372	-10.9%
Net debt/(funds)	9,974	5,858	5,788	6,729	-12.3%
Cash flow from operations	1,321	4,235	1,009	907	-11.8%
Capital expenditure	-2,029	-1,320	-1,364	-1,284	N/A
Free cash flow	-708	2,915	-355	-377	N/A
Pre-dividend FCF	-512	-1,132	319	-804	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	11.2	13.3	17.9	16.9	14.8
EV/EBITDA (adj) (x)	8.6	7.5	8.1	8.3	8.1
EV/EBIT (adj) (x)	12.7	10.9	12.6	12.8	12.2
P/BV (x)	1.0	1.5	1.5	1.4	1.4
Dividend yield (%)	5.4	4.3	3.4	3.6	4.2
Total debt/capital (%)	61.8	60.7	59.1	61.4	60.8
Net debt/EBITDA (adj) (x)	5.3	3.7	3.9	4.4	4.3

Selected operating metrics					Average
Payout ratio (%)	60.5	57.7	60.8	60.7	59.9
Interest cover (x)	-2.8	-2.8	-2.3	-2.3	-2.6
Regulated (%)	N/A	N/A	N/A	N/A	N/A

Source: Company data, Barclays Research
Note: FY End Dec

Price (02-Nov-2015)	USD 19.18
Price Target	USD 19.00

Why Equal Weight? We view NI as a quality utility with a well-defined rate base growth strategy from gas and electric infrastructure modernization, which we see as relatively low-risk. Additionally, we don't see a need for equity issuance until 2018. While NI could trade above it, NI already trades in line with our fundamental target at a 10% group premium based on 2017 EPS.

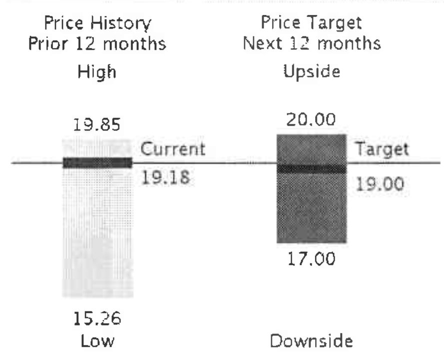
Upside case USD 20.00

Our $20 upside case assumes higher earnings from favorable regulatory outcomes, and assigns a 10% premium to the utility average 14.9x 2017 P/E multiple for the gas-heavy business mix and constructive regulation.

Downside case USD 17.00

Our $17 downside case reflects an average 2017 P/E multiple of 14.9x our $1.14.

Upside/Downside scenarios



Q3 Results a Beat, but NI is Winter Peaking

NI's Q3 operating EPS of $0.06 compared to $0.03 last year. On a GAAP basis EPS was $0.05 versus -$0.05. The Gas operations ($21.6M versus $1.0M operating income) led the way as net revenues increased $18.5M primarily due to rates in Ohio, Virginia and Pennsylvania spending programs. Operating expenses also declined $2.1M. Electric operations ($101.6M versus $90.2M) as net revenues ex trackers declined $0.8M. Weather was 7% cooler than normal but better than 33% below normal last year. Retail sales by customer class were: (Residential +9.5%, Commercial +3.4%, and Industrial -9.5%). NI reported JD Power awards in service on the gas side and outage control on the electric side due to a 40% reduction.

3 Takeaways from the Call

1. *The focus is on the infrastructure spending program.* NI expects to maintain 6-8% ratebase growth and is still considering whether to give 2017 EPS guidance in early 2016.

2. *Industrial sales were flat on a normalized basis.* Excluding the impact of co-generation, industrial sales were flat as were normalized sales to steel customers.

3. *Maintain $1.00-$1.10 EPS guidance for 2016.* The timing of spending will be a key driver including electric cap-ex which is currently expected to be $402M of the $1.36B plan. NI expects outcomes in Q3'16 from its Indiana electric rate case filed on 10/1 and its 7 year electric modernization plan of $1.07B. The rate case request is for $148M including pending tracking mechanisms of $53M tied to environmental spending.

ANALYST(S) CERTIFICATION(S):

We, Daniel Ford, CFA and Gregg Orrill, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

IMPORTANT DISCLOSURES

Barclays Research is a part of the Investment Bank of Barclays Bank PLC and its affiliates (collectively and each individually, "Barclays"). For current important disclosures regarding companies that are the subject of this research report, please send a written request to: Barclays Compliance Department, 745 Seventh Avenue, 13th Floor, New York, NY 10019 or refer to http://publicresearch.barclays.com or call 212-526-1072.

The analysts responsible for preparing this research report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by investment banking activities.

Analysts regularly conduct site visits to view the material operations of covered companies, but Barclays policy prohibits them from accepting payment or reimbursement by any covered company of their travel expenses for such visits.

In order to access Barclays Statement regarding Research Dissemination Policies and Procedures, please refer to http://publicresearch.barcap.com/static/S_ResearchDissemination.html. In order to access Barclays Research Conflict Management Policy Statement, please refer to: http://publicresearch.barcap.com/static/S_ConflictManagement.html.

The Investment Bank's Research Department produces various types of research including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research, whether as a result of differing time horizons, methodologies, or otherwise.

Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 02-Nov-2015, USD 19.18), Equal Weight/Neutral, A/C/D/J/K/L/M/O

Disclosure Legend:

A: Barclays Bank PLC and/or an affiliate has been lead manager or co-lead manager of a publicly disclosed offer of securities of the issuer in the previous 12 months.

B: An employee of Barclays Bank PLC and/or an affiliate is a director of this issuer.

C: Barclays Bank PLC and/or an affiliate is a market-maker in equity securities issued by this issuer.

D: Barclays Bank PLC and/or an affiliate has received compensation for investment banking services from this issuer in the past 12 months.

E: Barclays Bank PLC and/or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer within the next 3 months.

F: Barclays Bank PLC and/or an affiliate beneficially owned 1% or more of a class of equity securities of the issuer as of the end of the month prior to the research report's issuance.

G: One of the analysts on the coverage team (or a member of his or her household) owns shares of the common stock of this issuer.

H: This issuer beneficially owns 5% or more of any class of common equity securities of Barclays PLC.

I: Barclays Bank PLC and/or an affiliate has a significant financial interest in the securities of this issuer.

J: Barclays Bank PLC and/or an affiliate is a liquidity provider and/or trades regularly in the securities of this issuer and/or in any related derivatives.

K: Barclays Bank PLC and/or an affiliate has received non-investment banking related compensation (including compensation for brokerage services, if applicable) from this issuer within the past 12 months.

L: This issuer is, or during the past 12 months has been, an investment banking client of Barclays Bank PLC and/or an affiliate.

M: This issuer is, or during the past 12 months has been, a non-investment banking client (securities related services) of Barclays Bank PLC and/or an affiliate.

N: This issuer is, or during the past 12 months has been, a non-investment banking client (non-securities related services) of Barclays Bank PLC and/or an affiliate.

O: Barclays Capital Inc., through Barclays Market Makers, is a Designated Market Maker in this issuer's stock, which is listed on the New York Stock Exchange. At any given time, its associated Designated Market Maker may have "long" or "short" inventory position in the stock; and its associated Designated Market Maker may be on the opposite side of orders executed on the floor of the New York Stock Exchange in the stock.

P: A partner, director or officer of Barclays Capital Canada Inc. has, during the preceding 12 months, provided services to the subject company for remuneration, other than normal course investment advisory or trade execution services.

Q: Barclays Bank PLC and/or an affiliate is a Corporate Broker to this issuer.

R: Barclays Capital Canada Inc. and/or an affiliate has received compensation for investment banking services from this issuer in the past 12 months.

S: Barclays Capital Canada Inc. is a market-maker in an equity or equity related security issued by this issuer.

T: Barclays Bank PLC and/or an affiliate is providing equity advisory services to this issuer.

IMPORTANT DISCLOSURES CONTINUED

U: The equity securities of this Canadian issuer include subordinate voting restricted shares.

V: The equity securities of this Canadian issuer include non-voting restricted shares.

W: Barclays Bank PLC and/or an affiliate should be assumed to be an actual beneficial owner of 1% or more of all the securities (including debt securities) of this issuer as of the end of the month prior to the research report's issuance.

Risk Disclosure(s)

Master limited partnerships (MLPs) are pass-through entities structured as publicly listed partnerships. For tax purposes, distributions to MLP unit holders may be treated as a return of principal. Investors should consult their own tax advisors before investing in MLP units.

Guide to the Barclays Fundamental Equity Research Rating System:

Our coverage analysts use a relative rating system in which they rate stocks as Overweight, Equal Weight or Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry (the "industry coverage universe").

In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Underweight - The stock is expected to underperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Rating Suspended - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Investment Bank of Barclays Bank PLC is acting in an advisory capacity in a merger or strategic transaction involving the company.

Industry View

Positive - industry coverage universe fundamentals/valuations are improving.

Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "industry coverage universe":

North America Power & Utilities

AES Corp. (AES)	Alliant Energy (LNT)	Ameren Corp. (AEE)
American Electric Power (AEP)	American Water Works (AWK)	Aqua America (WTR)
Brookfield Infrastructure Partners LP (BIP)	Brookfield Infrastructure Partners LP (BIP_u.TO)	Brookfield Renewable Energy Partners LP (BEP_u.TO)
Brookfield Renewable Energy Partners LP (BEP)	Calpine Corp. (CPN)	Canadian Utilities Ltd. (CU.TO)
CenterPoint Energy Inc. (CNP)	CMS Energy (CMS)	Consolidated Edison (ED)
Covanta Holding Corp. (CVA)	Dominion Resources (D)	DTE Energy (DTE)
Duke Energy (DUK)	Dynegy Inc. (DYN)	Edison International (EIX)
Emera Inc. (EMA.TO)	Entergy Corp. (ETR)	Eversource Energy (ES)
Exelon Corp. (EXC)	FirstEnergy Corp. (FE)	Fortis Inc. (FTS.TO)
Great Plains Energy Inc. (GXP)	Hawaiian Electric Inds (HE)	ITC Holdings (ITC)
National Grid Plc (NGG)	National Grid Plc (NG.L)	NextEra Energy (NEE)
NextEra Energy Partners, LP. (NEP)	NiSource, Inc. (NI)	NRG Energy (NRG)
NRG Yield Inc. (NYLD)	OGE Energy Corp. (OGE)	Ormat Technologies (ORA)
Pepco Holdings (POM)	PG&E Corp. (PCG)	Pinnacle West Capital (PNW)
PNM Resources (PNM)	Portland General Electric Co. (POR)	PPL Corporation (PPL)
Public Service Enterprise Gp (PEG)	SCANA Corp. (SCG)	Sempra Energy (SRE)
Southern Co. (SO)	Talen Energy Corp. (TLN)	TECO Energy (TE)
TerraForm Power, Inc. (TERP)	Vivint Solar Inc. (VSLR)	WEC Energy Group (WEC)
Westar Energy (WR)	Xcel Energy (XEL)	

Distribution of Ratings:

IMPORTANT DISCLOSURES CONTINUED

Barclays Equity Research has 2769 companies under coverage.

43% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 51% of companies with this rating are investment banking clients of the Firm.

40% have been assigned an Equal Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 43% of companies with this rating are investment banking clients of the Firm.

14% have been assigned an Underweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Sell rating; 41% of companies with this rating are investment banking clients of the Firm.

Guide to the Barclays Research Price Target:

Each analyst has a single price target on the stocks that they cover. The price target represents that analyst's expectation of where the stock will trade in the next 12 months. Upside/downside scenarios, where provided, represent potential upside/potential downside to each analyst's price target over the same 12-month period.

Top Picks:

Barclays Equity Research's "Top Picks" represent the single best alpha-generating investment idea within each industry (as defined by the relevant "industry coverage universe"), taken from among the Overweight-rated stocks within that industry. Barclays Equity Research publishes global and regional "Top Picks" reports every quarter and analysts may also publish intra-quarter changes to their Top Picks, as necessary. While analysts may highlight other Overweight-rated stocks in their published research in addition to their Top Pick, there can only be one "Top Pick" for each industry. To view the current list of Top Picks, go to the **Top Picks** page on Barclays Live (https://live.barcap.com/go/keyword/TopPicksGlobal).

To see a list of companies that comprise a particular industry coverage universe, please go to http://publicresearch.barclays.com.

Barclays legal entities involved in publishing research:

Barclays Bank PLC (Barclays, UK)

Barclays Capital Inc. (BCI, US)

Barclays Securities Japan Limited (BSJL, Japan)

Barclays Bank PLC, Tokyo branch (Barclays Bank, Japan)

Barclays Bank PLC, Hong Kong branch (Barclays Bank, Hong Kong)

Barclays Capital Canada Inc. (BCCI, Canada)

Absa Bank Limited (Absa, South Africa)

Barclays Bank Mexico, S.A. (BBMX, Mexico)

Barclays Capital Securities Taiwan Limited (BCSTW, Taiwan)

Barclays Capital Securities Limited (BCSL, South Korea)

Barclays Securities (India) Private Limited (BSIPL, India)

Barclays Bank PLC, India branch (Barclays Bank, India)

Barclays Bank PLC, Singapore branch (Barclays Bank, Singapore)

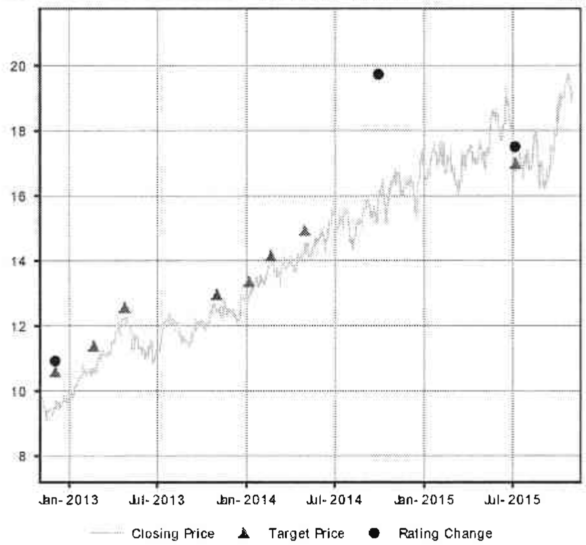
Barclays Bank PLC, Australia branch (Barclays Bank, Australia)

IMPORTANT DISCLOSURES CONTINUED

NiSource, Inc. (NI / NI)
USD 19.18 (02-Nov-2015)

Stock Rating: **EQUAL WEIGHT**
Industry View: **NEUTRAL**

Rating and Price Target Chart - USD (as of 02-Nov-2015)



Source: IDC, Barclays Research

Link to Barclays Live for interactive charting

Currency=USD

Date	Closing Price	Rating	Adjusted Price Target
06-Jul-2015	16.84	Equal Weight	17.00
29-Sep-2014	16.05	Rating Suspended	
30-Apr-2014	14.27		14.93
19-Feb-2014	13.91		14.15
06-Jan-2014	12.95		13.36
31-Oct-2013	12.39		12.97
24-Apr-2013	12.24		12.57
20-Feb-2013	10.63		11.40
03-Dec-2012	9.56	Overweight	10.61

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

A: Barclays Bank PLC and/or an affiliate has been lead manager or co-lead manager of a publicly disclosed offer of securities of NiSource, Inc. in the previous 12 months.

C: Barclays Bank PLC and/or an affiliate is a market-maker in equity securities issued by NiSource, Inc..

D: Barclays Bank PLC and/or an affiliate has received compensation for investment banking services from NiSource, Inc. in the past 12 months.

J: Barclays Bank PLC and/or an affiliate is a liquidity provider and/or trades regularly in the securities by NiSource, Inc. and/or in any related derivatives.

K: Barclays Bank PLC and/or an affiliate has received non-investment banking related compensation (including compensation for brokerage services, if applicable) from NiSource, Inc. within the past 12 months.

L: NiSource, Inc. is, or during the past 12 months has been, an investment banking client of Barclays Bank PLC and/or an affiliate.

M: NiSource, Inc. is, or during the past 12 months has been, a non-investment banking client (securities related services) of Barclays Bank PLC and/or an affiliate.

O: Barclays Capital Inc., through Barclays Market Makers, is a Designated Market Maker in NiSource, Inc. stock, which is listed on the New York Stock Exchange. At any given time, its associated Designated Market Maker may have "long" or "short" inventory position in the stock; and its associated Designated Market Maker may be on the opposite side of orders executed on the floor of the New York Stock Exchange in the stock.

Valuation Methodology: Our $19 price target is a 10% premium on the regulated group average 15.1x P/E multiple applied to our 2017 EPS estimate of $1.14.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks include adverse regulatory outcomes, lower sales growth, higher cost of capital, and earlier than expected equity needs.

Banking Financial Company (Regn No RBI CoR-07-00258), and Barclays Wealth Trustees (India) Private Limited, registered with Registrar of Companies (CIN U93000MH2008PTC188438), are associates of BSIPL in India that are not authorised to distribute any reports produced by the Investment Bank.

Barclays Bank PLC Frankfurt Branch distributes this material in Germany under the supervision of Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

This material is distributed in Malaysia by Barclays Capital Markets Malaysia Sdn Bhd.

This material is distributed in Brazil by Banco Barclays S.A.

This material is distributed in Mexico by Barclays Bank Mexico, S.A.

Barclays Bank PLC in the Dubai International Financial Centre (Registered No. 0060) is regulated by the Dubai Financial Services Authority (DFSA). Principal place of business in the Dubai International Financial Centre: The Gate Village, Building 4, Level 4, PO Box 506504, Dubai, United Arab Emirates. Barclays Bank PLC-DIFC Branch, may only undertake the financial services activities that fall within the scope of its existing DFSA licence. Related financial products or services are only available to Professional Clients, as defined by the Dubai Financial Services Authority.

Barclays Bank PLC in the UAE is regulated by the Central Bank of the UAE and is licensed to conduct business activities as a branch of a commercial bank incorporated outside the UAE in Dubai (Licence No.: 13/1844/2008, Registered Office: Building No. 6, Burj Dubai Business Hub, Sheikh Zayed Road, Dubai City) and Abu Dhabi (Licence No.: 13/952/2008, Registered Office: Al Jazira Towers, Hamdan Street, PO Box 2734, Abu Dhabi).

Barclays Bank PLC in the Qatar Financial Centre (Registered No. 00018) is authorised by the Qatar Financial Centre Regulatory Authority (QFCRA). Barclays Bank PLC-QFC Branch may only undertake the regulated activities that fall within the scope of its existing QFCRA licence. Principal place of business in Qatar: Qatar Financial Centre, Office 1002, 10th Floor, QFC Tower, Diplomatic Area, West Bay, PO Box 15891, Doha, Qatar. Related financial products or services are only available to Business Customers as defined by the Qatar Financial Centre Regulatory Authority.

This material is distributed in the UAE (including the Dubai International Financial Centre) and Qatar by Barclays Bank PLC.

This material is distributed in Russia by OOO Barclays Capital, affiliated company of Barclays Bank PLC, registered and regulated in Russia by the FSFM. Broker License #177-11850-100000; Dealer License #177-11855-010000. Registered address in Russia: 125047 Moscow, 1st Tverskaya-Yamskaya str. 21.

This material is distributed in Singapore by the Singapore branch of Barclays Bank PLC, a bank licensed in Singapore by the Monetary Authority of Singapore. For matters in connection with this report, recipients in Singapore may contact the Singapore branch of Barclays Bank PLC, whose registered address is 10 Marina Boulevard, #23-01 Marina Bay Financial Centre Tower 2, Singapore 018983.

Barclays Bank PLC, Australia Branch (ARBN 062 449 585, AFSL 246617) is distributing this material in Australia. It is directed at 'wholesale clients' as defined by Australian Corporations Act 2001.

IRS Circular 230 Prepared Materials Disclaimer: Barclays does not provide tax advice and nothing contained herein should be construed to be tax advice. Please be advised that any discussion of U.S. tax matters contained herein (including any attachments) (i) is not intended or written to be used, and cannot be used, by you for the purpose of avoiding U.S. tax-related penalties; and (ii) was written to support the promotion or marketing of the transactions or other matters addressed herein. Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.

HILLIARD LYONS

Electric Utilities
Analyst: David Burks
502.588.8648 / DBurks@hilliard.com
Institutional Sales Desk: Tim Rexing
502.585.8509 / TRexing@hilliard.com
J.J.B. Hilliard, W.L. Lyons, LLC
November 4, 2015

COMPANY UPDATE

Key Metrics

NI - NYSE (Price as of 11/3/15)	$19.12
Price Target	NA
52-Week Range	$19.85 - $15.26
Shares Outstanding (mm)	318.1
Market Cap. ($mm)	$6,082
3-Mo. Average Daily Volume	3,269,000
Institutional Ownership	81.0%
Debt/Total Capital (9/30)	61.8%
ROE (ttm)	6.8%
Book Value/Share	$19.57
Price/Book Value	1.x
Indicated Dividend / Yield	$0.62 3.2%
Dividend Cycle	Feb., May, Aug., Nov.

EPS FY 12/31

	2014	Prior 2015E	Curr. 2015E	Prior 2015E	Curr. 2016E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$1.72		$1.43		$1.06
P/E	11.1x		13.4x		18.0x
Payout	63%		43%		58%

Note: Figures exclude non-recurring items

Revenue ($mm)

	2014	Prior 2015E	Curr. 2015E	Prior 2016E	Curr. 2016E
1Q		--		--	--
2Q		--		--	--
3Q		--		--	--
4Q		--		--	--
Year	$6,470		$5,025	--	$5,125

Company Description: *Based in Merrillville, Ind., NiSource Inc. is one of the largest fully-regulated utility companies in the United States, serving approximately 3.5 million natural gas customers and 500,000 electric customers across seven states through its local Columbia Gas and NIPSCO brands.*

NiSource Inc.

NI -- NYSE -- Neutral -- 2

Company reports solid third quarter results; Columbia Pipeline separation occurred on July 1

Investment Highlights

- **NiSource reported third quarter operating earnings of $0.06 per share versus $0.03 per share in the third quarter of 2014.** Earnings were above the consensus estimate of $0.02 per share. The third quarter is typically a light one for NiSource due to seasonality and its significant natural gas exposure. Both gas distribution and electric operations segments posted higher quarterly earnings than a year ago. Gas results benefitted from higher rates in Ohio while electric operations were helped by lower operating expenses. During the quarter, NiSource remained on track to invest approximately $1.3 billion in 2015 as part of its spending on long-term regulated utility infrastructure investment opportunities.
- **Columbia Pipeline Group separation completed on July 1st.** NiSource shareholders received one share of Columbia Pipeline for every one share of NiSource common stock they held. Columbia Pipeline trades on the New York Stock Exchange under the symbol CPGX. We do not have research coverage of Columbia Pipeline.
- **Management reaffirms 2016 earnings guidance.** NiSource expects operating earnings of $1.00 to $1.10 per share in 2016. In addition, it expects to make about $1.4 billion in planned infrastructure enhancement investments in 2016 as part of its $30 billion in infrastructure investment opportunities over 20 years. The company believes these ongoing capital investments will enable NiSource to grow both its earnings and dividends by 4% to 6% annually. Also, the company has more natural gas exposure than the typical utility that has both gas and electric operations, a positive, in our view.
- **We have a Neutral rating on NiSource due to valuation.** However, we believe the company has a solid fundamental outlook. In our view, the company's potential infrastructure investments could drive earnings and dividend growth making NiSource a worthwhile holding. We would maintain positions in the stock.

Note Important Disclosures on Pages 2 and 3.
Note Analyst Certification on Page 2.

Price of other stocks mentioned: Columbia Pipeline Group (CPGX-$21.97).

Additional information is available upon request.

Analyst Certification

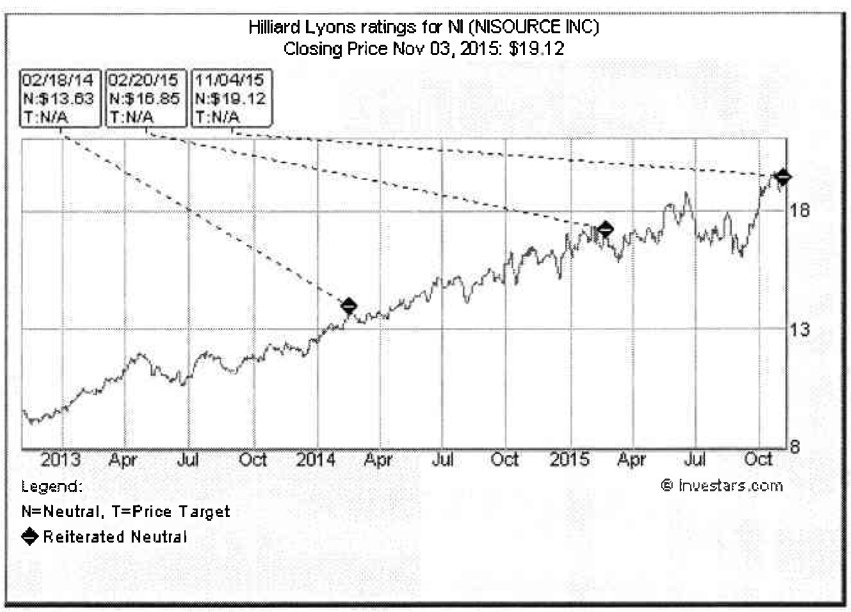
I, David B. Burks, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Investment Ratings
Buy - We believe the stock has significant total return potential in the coming 12 months.
Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues.
Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.
Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Suitability Ratings
1 - A large cap, core holding with a solid history
2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks
3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage
4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	46	39%	7%	93%
Hold/Neutral	68	58%	3%	97%
Sell	2	2%	0%	100%
Restricted	1	1%	100%	0%

As of 1 October 2015

Other Disclosures

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of J.J.B. Hilliard, W.L. Lyons, LLC or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed here.

J.J.B. Hilliard, W.L. Lyons, LLC is a multi-disciplined financial services firm that regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as placement agent in private transactions.

The information herein has been obtained from sources we believe to be reliable but is not guaranteed and does not purport to be a complete statement of all material factors. This is for informational purposes and is not a solicitation of orders to purchase or sell securities. Reproduction is forbidden unless authorized.

FLASH NOTE

Company Update

USA | Energy | Natural Gas

November 3, 2015

Jefferies

EQUITY RESEARCH AMERICAS

NiSource Inc. (NI)

Strong Out of the Gate

HOLD
Price target $18.00
Price $19.18

Key Takeaway

NI realized 3Q recurring diluted EPS of 6¢ (excl. asset sale gains), above our 3¢ estimate & the Street's 2¢ mean forecast; EBITDA of $254mm also beat our $230mm projection on stronger results across all segments. 3Q marks the first quarter in which NI no longer includes reported midstream results, following the spin-off of CPGX on July 1st. Mgmt affirmed its 2016 non-GAAP EPS guidance of $1.00-$1.10, $1.4B 2016 capex, & 4-6% long-term EPS & DPS growth rates.

3Q15 Operational & financial highlights. The gas utilities posted 3Q15 operating income of ~$21.6mm, sizably above our ~$14.7mm estimate & 3Q14's $1.0mm, due primarily to sharply improved operating costs. Similarly, the electric operations (NIPSCO) reported 3Q15 operating income of $101.6mm, also handedly above our ~$91.4mm estimate & 3Q14's $90.2mm, and driven by improved operating costs.

CPGX separation completed. Following the CPGX spin on July 1st, NI is now a fully-regulated natural gas & electric distribution company and 3Q results are the first period in which reported performance excludes midstream operations; Columbia Pipeline is now marked as 'discontinued operations' in all historic reported periods.

Gas distribution regulatory update. CMA received approval of its April base rate case filing, with settlement terms providing for $32.8mm in annual revenue increases beginning 1/11/15, with an incremental $3.6mm increase on 1/11/16. Similarly, CVA received final approval of its 2014 rate case filing in Aug; the $25.2mm annual revenue raise was affirmed. CVA also received approval of its 5-yr infrastructure replacement program & plans to invest $150mm on system modernization through 2020. Finally, CPA has reached a settlement with parties to its base rate case which calls for a ~$28mm revenue increase & a tariff to support service expansion to unserved areas; a final PUC decision is expected by YE.

NIPSCO update. In late May, NIPSCO filed a settlement with related parties to address issues associated with its 7-yr modernization plan. Under the settlement, on 10/1/15 NIPSCO filed its first electric rate case in five years seeking to update rates to reflect the current costs of generating & distributing power; an IURC decision is expected in 3Q16. NIPSCO is then required to re-file its 7-yr program following the rate case, with associated costs to be recovered under the associated rider program.

Dial-in for the Call: Today @ 9:00am ET. Dial-in: 855.219.9570; Passcode: 60322575.

NI 3Q15 Results Review:

Operating Income by Division	Actual 3Q15A	JEFe 3Q15E		Year-over-Year 3Q14A	
Gas Distribution	$21.6	$14.7	47.1%	$1.0	NM
Columbia Pipeline Group	$0.0	$0.0	NM	$91.4	NM
Electric Operations	$101.6	$91.4	11.2%	$90.2	12.6%
Corporate, Other, and Eliminations	($7.4)	($5.2)	NA	($5.3)	-39.6%
Total Operating Income	**$115.8**	**$100.9**	**14.8%**	**$177.3**	**-34.7%**
Depreciation	($132.5)	($126.4)	4.9%	($153.0)	-13.4%
Other Income / (Expenses)	$5.8	$2.5	132.0%	$9.2	-37.0%
Interest Expense	($94.9)	($87.2)	8.9%	($109.6)	-13.4%
Minority Interest (Public LP in CPPL)	$0.0	$0.0	#DIV/0!	NA	
Income Tax Benefit (Expense)	($8.6)	($6.9)	24.5%	($33.2)	-74.2%
Recurring Net Income	**$18.1**	**$9.3**	**94.2%**	**$43.7**	**-58.5%**
Avg Diluted Shares Outstanding	321.5	317.9	1.1%	316.6	1.5%
Earnings Per Diluted Share	**$0.06**	**$0.03**	**92.0%**	**$0.14**	**-59.2%**
EBITDA ($MM)	**$254**	**$230**	**10.6%**	**$340**	**-25.2%**
Capex & Affiliate Investments	**$365**	**$449**	**-18.8%**	**$598**	**-39.0%**

Source: NiSource reports & Jefferies estimates

Christopher Sighinolfi, CFA *
Equity Analyst
(212) 707-6420 csighino@jefferies.com
Christopher Tillett *
Equity Associate
(212) 284-4697 ctillett@jefferies.com
Corey Goldman *
Equity Associate
(212) 284-3411 cgoldma1@jefferies.com
Henry Mullen *
Equity Associate
(212) 284-1738 hmullen@jefferies.com
* Jefferies LLC

Company Description

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4 million US customers. The Company operates through three segments: Gas Distribution, Columbia Pipeline Group, and Electric. The Gas Distribution operations provide natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. Columbia Pipeline Group offers gas transportation and storage services for Local distribution companies, marketers and industrial and commercial customers located in Northeastern, Mid-Atlantic, Midwestern and Southern states. The Electric Operations segment provides electric service in various counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

Analyst Certification:

I, Christopher Sighinolfi, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Christopher Tillett, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Corey Goldman, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Henry Mullen, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

Explanation of Jefferies Ratings

Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

Monitor - Describes securities whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Jefferies Franchise Picks

Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

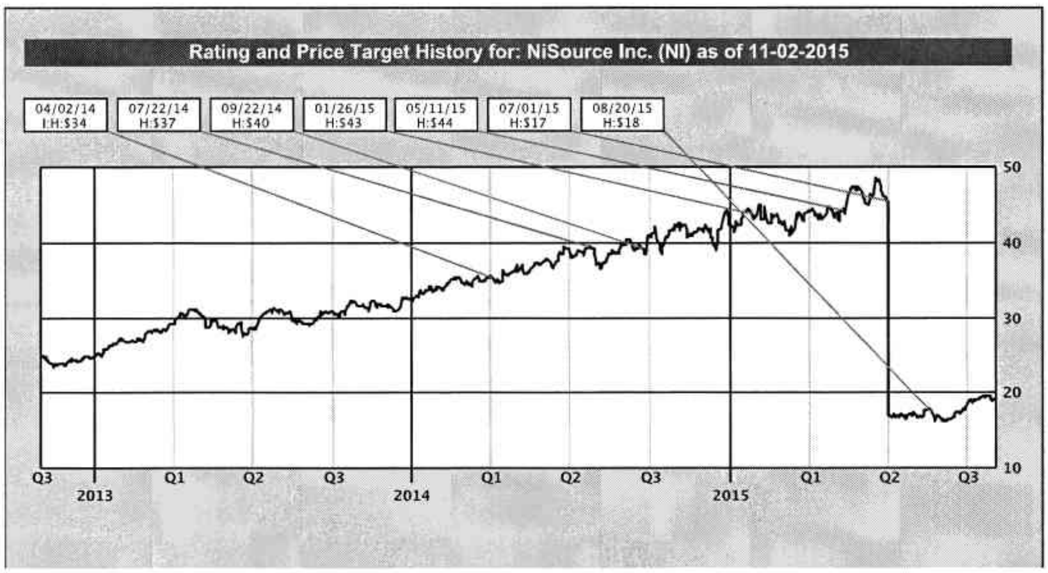
the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

Risks which may impede the achievement of our Price Target

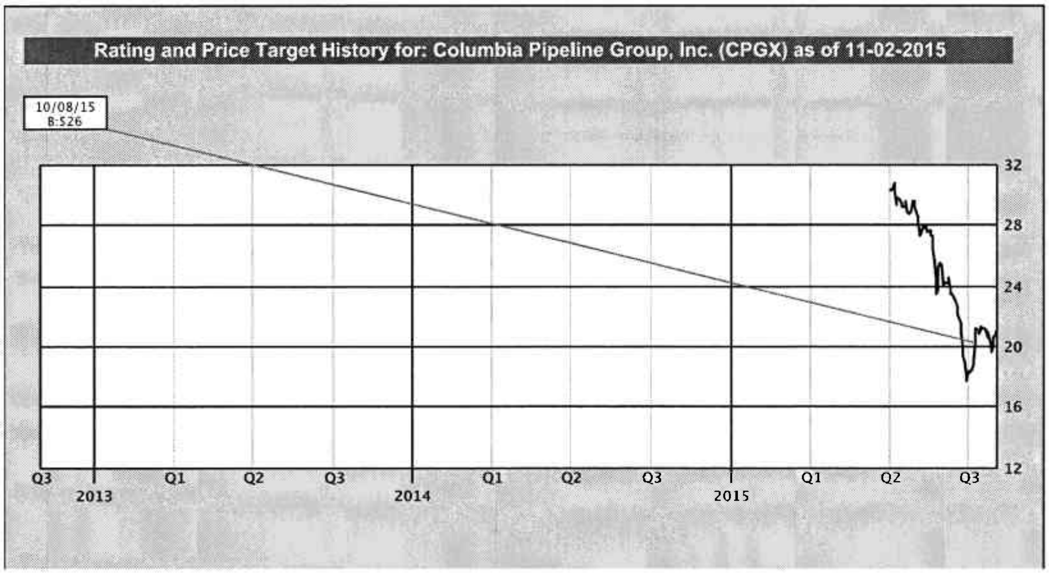
This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.

Other Companies Mentioned in This Report

- Columbia Pipeline Group, Inc. (CPGX: $21.12, BUY)



Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com



Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	1128	53.49%	315	27.93%
HOLD	832	39.45%	164	19.71%
UNDERPERFORM	149	7.06%	17	11.41%

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Other Important Disclosures

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC ("Jefferies") group companies:

United States: Jefferies LLC which is an SEC registered firm and a member of FINRA.

United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

India: Jefferies India Private Limited (CIN - U74140MH2007PTC200509), which is licensed by the Securities and Exchange Board of India as a Merchant Banker (INM000011443), Research Analyst (INH000000701) and a Stock Broker with Bombay Stock Exchange Limited (INB011491033) and National Stock Exchange of India Limited (INB231491037) in the Capital Market Segment; located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051, India; Tel +91 22 4356 6000.

This material has been prepared by Jefferies employing appropriate expertise, and in the belief that it is fair and not misleading. The information set forth herein was obtained from sources believed to be reliable, but has not been independently verified by Jefferies. Therefore, except for any obligation under applicable rules we do not guarantee its accuracy. Additional and supporting information is available upon request. Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this material is distributed in the United States ("US"), by Jefferies LLC, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic Area this report is issued and/or approved for distribution by Jefferies International Limited and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed. Jefferies International Limited has adopted a conflicts management policy in connection with the preparation and publication of research, the details of which are available upon request in writing to the Compliance Officer. Jefferies International Limited may allow its analysts to undertake private consultancy work. Jefferies International Limited's conflicts management policy sets out the arrangements Jefferies International Limited employs to manage any potential conflicts of interest that may arise as a result of such consultancy work. For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, this material is provided by Jefferies Singapore Limited pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Cap. 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact Jefferies Singapore Limited, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the PRC. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India this report is made available by Jefferies India Private Limited. In Australia this information is issued solely by Jefferies International Limited and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies International Limited is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. Jefferies International Limited has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services licence under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, its associates or affiliates, and its respective officers, directors, and employees may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. Upon request Jefferies may provide specialized research products or services to certain customers focusing on the prospects for individual covered stocks as compared to other covered stocks over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, the analyst has a reasonable basis and any inconsistencies can be reasonably explained. This material does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments. This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of securities. None of Jefferies, any of its affiliates or its research analysts has any authority whatsoever to make any representations or warranty on behalf of the issuer(s). Jefferies policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

J.P.Morgan

North America Equity Research
13 October 2015

Gas Utilities: Consolidation Trend Likely to Continue

D, PEG, ATO, NI Among Best Positioned to Participate

Electric & Gas Utilities
Christopher Turnure [AC]
(1-212) 622-5696
christopher.turnure@jpmorgan.com
Bloomberg JPMA TURNURE <GO>
Andrew Pon
(1-212) 622-9485
andrew.pon@jpmorgan.com
J.P. Morgan Securities LLC

Pipeline safety investments and an increased and shifting role for the fuel in power generation have made gas infrastructure more and more valuable in the broader utility asset context over the past several years. Our note examines these assets, their growth potential and what we view as continued likelihood of sector consolidation. Given the fragmented nature of the industry and the potential benefits of economies of scale through M&A, we evaluate several potential combinations. We find that only a handful of potential targets could move the needle for large buyers, and that taking advantage of low interest rates and incremental leverage is crucial to offsetting synergy give-backs. Our scenarios point to many potential deals being accretive nonetheless, and we view D, PEG, ATO and NI as best positioned to participate, and also highlight UIL and NEE as well-positioned companies currently involved in unrelated pending transactions.

- **Conditions remain favorable for more consolidation:** Since late 2012 we have seen six major gas utility deals announced as well as the formation of two standalone LDCs from larger entities. Gas utilities are still in relatively early stages of high rate base growth and often are in need of external equity at a time when electric names are facing slowing transmission opportunities and continued anemic load growth. Additionally, low interest rates are key to what we see as debt-heavy potential deals, and though not cheap, valuations remain at levels we believe allow for numerous accretive combinations.

- **Gas utility growth well in excess of electric assets; pipelines especially attractive:** LDC's are benefitting from pipeline safety and integrity spending that drives rate base growth above 7-8% in many cases, and recovering this via low-lag regulatory constructs in addition. Of equal and growing relevance are the longer-distance and higher pressure gas transmission assets owned by many of these companies. Higher ROE's and bilaterally contracted growth potential from coal-to-gas switching, and Mexican and LNG exports are among the factors driving investments in such assets by DUK, NEE, D and others.

- **D, PEG best positioned to acquire; ATO, NI logical potential targets:** PEG's ample balance sheet capacity is not new, but a slowing transmission growth spending profile after 2017 and a strong stock currency make now an interesting time for a deal. ATO and NI both have top-tier rate base growth and are large enough to move the needle for larger suitors. ATO's aging management and NI's need for external equity both add interesting angles as well. Additionally, we highlight NEE and UIL as well-positioned to participate in consolidation but note their current involvement in unrelated pending transactions.

- **Several accretive combination scenarios rely on incremental leverage:** Of the countless permutations that are possible in the 70+ company U.S. utility landscape, we chose to focus 9 hypothetical transactions involving the acquirers and targets highlighted above and the 5 most-plausible deals from this list. The most logical from a strategic and accretive perspective are PEG + NI and D + ATO, in our opinion, resulting in baseline 2018E accretion of 7.3% and 3.2%, respectively, the second full pro forma year modeled.

See page 17 for analyst certification and important disclosures.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

LDC consolidation makes strategic sense

The similar business models and regulatory environments, need for capital and high growth rates make gas utilities logical targets of consolidation for larger electric peers. The broader utility sector has always been very fragmented, and the 10 publicly traded pure LDC's stand out for their especially small size and jurisdictional concentrations. Though utility M&A comes with the caveat of having to share cost synergies with customers, the business is still one that stands to benefit from economies of scale of shared overhead and operational equipment even between the electric and gas sides of the equation. It is also worth noting the disproportionally large use of rider mechanisms by gas utilities could allow for a materially longer general rate case stay out and delay of synergy give-backs for some potential targets.

Table 1: Gas Utility by Business Mix, CEO Tenure, & Utility Jurisdictions

Company	Market Cap ($bn)	Business Mix	Operating Metric	CEO	Age	Tenure (Years)	Number of State Jurisdictions
AGL Resources Inc	7.5	52% Regulated Gas Distribution 12% Retail 38% Storage & Transportation 2% Midstream & Other	EBIT	John W Somerhalder II	59	7.8	CA, GA, IL, MD, NJ, TN, VA
Atmos Energy Corp	6.0	61% Regulated Gas Distribution 30% Regulated Midstream 9% Non-Regulated (Storage, Trading, & Non-Regulated Transmission)	Adjusted NI	Kim R Cocklin	64	4.9	CO, GA, KS, KY, LA, MI, TX, TN, New Orleans
NiSource Inc	6.0	35% Regulated Electric Transmission & Distribution 65% Regulated Gas Distribution	Operating Earnings	Joseph Hamrock	51	0.2	IN, KY, MD, MA, PA, OH, VA
Piedmont Natural Gas Co Inc	3.3	86% Regulated Gas Distribution 5% Midstream (JV Equity Investment) 9% Retail (SouthStar investment)	Earnings Before Taxes	Thomas E. Skains	58	11.8	NC, SC, TN
WGL Holdings Inc	3.0	80% Regulated Gas Distribution 1% Acquisition & Investments in Nat Gas Assets 7% Efficient Energy/Solar design-build services 12% Retail	Adjusted EBIT	Terry McCallister	59	5.9	DC, MD, VA
Southwest Gas Corp	2.9	83% Regulated Gas Distribution 17% Gas Distribution Repair & Maintenance	Net Income	John P Hester	52	0.5	CA, NV, AZ
New Jersey Resources Corp	2.6	53% Regulated Gas Distribution 32% Storage & Transportation Management/Optimization 9% Investments in Residential & Commercial Solar Installations 5% Midstream	Net Income	Laurence M Downes	58	19.0	NJ
ONE Gas Inc	2.5	100% Regulated Gas Distribution	Net Income	Pierce H Norton II	55	1.7	KS, OK, TX
Laclede Group Inc	2.5	95% Regulated Gas Distribution 5% Gas Marketing/Trading	Net Income	Suzanne Sitherwood	54	4.0	AL, MS
South Jersey Industries Inc	1.8	63% Regulated Gas Distribution 24% On-site Energy Production & HVAC installation 13% Retail (gas & electric)	Net Income	Michael J Renna	48	0.4	NJ
Northwest Natural Gas Co	1.3	100% Regulated Gas Distribution -1% Gas Storage 1% Other	Net Income	Gregg S Kantor	57	6.8	OR, WA
PG&E Corporation	26.0	42% Electric Distribution 16% Electric Transmission 13% Gas Distribution 13% Gas Transmission 17% Generation	Rate Base	Tony Earley Jr	66	4.0	CA

Source: Company reports.

Current business and market conditions leave a compelling window of opportunity for gas utility M&A. Utility and especially gas utility valuation versus the broader U.S. equity space do not appear cheap, but one can argue their 8-12% total return potential is attractive versus the fixed income alternatives on a risk adjusted basis. As we have seen with several electric and gas utility transactions, this can be especially true for Canadian, other international and sovereign investors with longer time horizons and lower hurdle rates than U.S. equity investors. Conversely, potential acquirers may view their share prices as having an interest-rate tailwind and implied lower cost of capital that gives them a temporarily more valuable currency with which to transact.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Low interest rates also are of particular importance for deals often financed at least in part by incremental leverage, putting a degree of pressure on companies to act ahead of the expected rate rise. Additionally, gas utilities are still in the relatively early stages of their rate-base growth driving pipeline replacement and integrity programs. As discussed later in this report, low gas prices and the potential for Mexican pipeline and LNG exports and incremental power generation demand to replace coal are also themes that still allow buyers to get in at an early stage of demand growth.

There does not appear to be an overarching tax theme for sector M&A. Nearly all electric and gas utilities have been benefiting from significant bonus depreciation for years, and most companies do not have cash tax liabilities for the next several years at least due to accelerated depreciation-related net operating losses. As is the case for any capital-intensive sector, many recent utility transactions have benefited from a large tax basis step-up that results in additional value versus the two standalone entities.

In this note we focus on several companies with a significant portion of rate base made up by gas distribution or transmission assets. We note many are earnings adjusted book ROE's above the prevailing LDC authorized rate nationwide of approximately 9.4%. Additionally, capital spending intensity as compared to depreciation remains elevated, with many names standing out for spending in excess of 2x current deprecation rates. Financial leverage varies widely, from OGS and ATO on the low end as of year end 2014, to NI, LG and PNY on the high end.

Table 2: Gas Utility Adjusted Earned Book ROE

Company	2009	2010	2011	2012	2013	2014
NJR	9.4	14.2	16.6	14.5	12.8	18.4
GAS	12.9	13.2	8.8	8.5	9.5	15.8
SJI	13.5	14.5	14.6	13.7	12.4	11.8
PNY	13.5	11.8	11.6	11.8	12.1	11.5
WGL	12.1	10.2	10.3	10.6	8.3	11.2
ATO	8.8	9.0	9.3	8.5	9.3	10.2
PCG	13.3	13.5	8.3	7.3	6.7	10.1
SWX	8.0	9.1	9.2	10.8	10.5	9.7
UIL	10.4	9.0	9.2	9.4	10.2	9.5
NI	6.1	7.3	7.3	7.7	8.4	8.5
LG	12.7	10.6	11.3	10.6	7.6	7.9
NWN	11.7	10.7	9.1	8.5	8.2	7.7
OGS	NA	NA	NA	8.3	8.3	7.2
Average	**11.0**	**11.1**	**10.5**	**10.0**	**9.6**	**10.7**

Source: Bloomberg; Company data; Dotted Box = Logical Targets. NI data represents consolidated, pre-spin ROE

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Pipeline replacement drives higher gas utility rate base growth

Following several high profile pipeline accidents, local gas utilities and pipeline owners have been working to accelerate replacement and investments in safety over the last 5 years. Policy and regulatory support has mandated spending in many cases including at the Federal level. Regulators have also responded by adopting lower-lag regulatory recovery mechanisms, which together with the mandates, has led to high levels of rate base growth for most gas utilities. Most gas utilities also benefit from decoupled rates, insulating them from the generally declining per customer gas usage trends seen for many years.

Table 3: Gas Utility Capital Spending Intensity

Company	Depreciation	Avg Capex	Ratio
SJI	63	330	5.2
PNY	119	530	4.5
ATO	254	840	3.3
NI	606	1,954	3.2
WGL	111	354	3.2
NJR	53	146	2.8
OGS	126	295	2.3
PCG	2,433	5,012	2.1
UIL	152	309	2.0
GAS	380	750	2.0
LG	82	151	1.8
NWN	79	130	1.6
SWX	253	381	1.5
Average			**2.7**

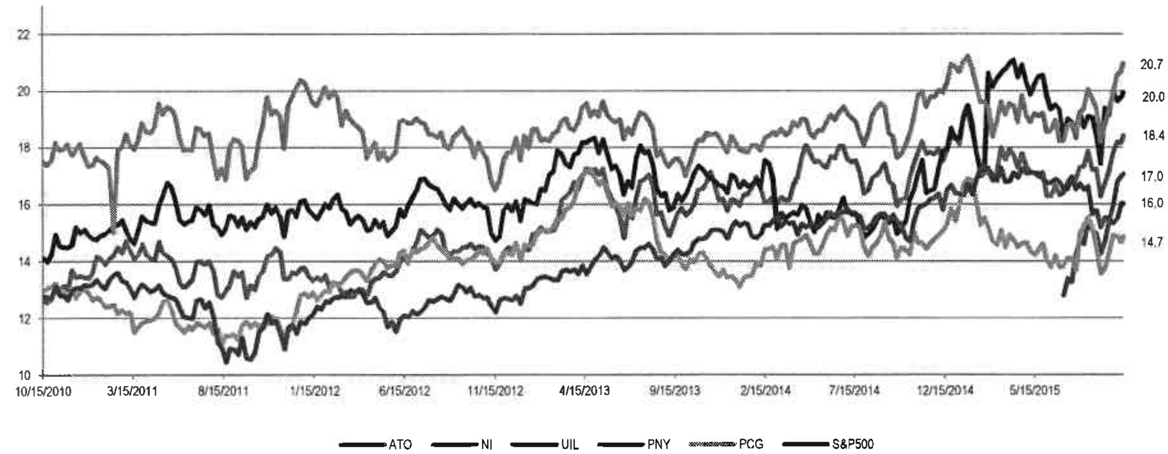
Source: Company data; units $m; Dotted Box = Most Logical Targets; Capex = Average of 2013 & 2014

Premium valuations, need for more external equity versus electric peers

Pure play LDC equities are smaller market capitalization names and have historically traded at a premium to electric SMID peers. We attribute this premium to higher rate base growth and better regulatory constructs, and in some cases a perpetual modest takeout premium, in our opinion. It is worth noting many companies have alternative businesses in addition to their gas distribution assets, somewhat clouding the relative valuation picture. Their strong rate base growth and resulting higher capital needs push down payout ratios and yields and make external equity raises somewhat more common.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Figure 1: 5 Year Forward 12 month P/E Gas Utilities



Source: Bloomberg estimates; price as of 10/9/2015 close

Table 4: Gas Utility Leverage: Net Debt to Capitalization

Company	2009	2010	2011	2012	2013	2014
NI	57	58	60	59	60	62
LG	43	41	37	37	46	58
PNY	54	50	50	57	58	57
GAS	58	59	58	57	56	56
SJI	49	54	53	55	54	55
UIL	55	57	61	61	54	53
NWN	50	55	53	54	54	53
SWX	51	44	49	49	48	51
PCG	50	50	50	47	48	48
NJR	42	44	41	48	51	48
WGL	42	38	36	39	42	47
ATO	48	48	49	50	51	45
OGS	NA	NA	50	53	54	41
Average	**49.8**	**49.9**	**49.7**	**51.4**	**52.2**	**51.9**

Source: Bloomberg; Company data; Dotted Box = Most Logical Targets

Many recent deals involve gas assets

Since late 2012 there have been 6 gas utility deals announced for $950MM or more, the latest of which involved the largest LDC and Southern Company (SO- Not Covered) in a deal announced August 24. With trailing EV/EBITDA deal values of 9.6-15.9x and estimated takeout premiums reaching nearly 40%, prices have not been cheap. Among themes shared by several of the announced gas deals are an increasing need for capital of the gas utility and strong currency of prevailing market pricing of the seller's share price.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Table 5: Gas Utility Comparables Table

Fiscal Year		9-Oct	Market		Bloomberg EPS				P/E			EPS Growth		Dividend 15E			EBITDA	EV/ EBITDA	
Comp.	Rating	Price	Cap	EV	15E	16E	17E	18E	15E	16E	17E	16E	17E	Yield	Payout	Div.	16E	16E	FY End
NWN	NC	46.93	1.3	2.1	2.19	2.27	2.48	2.55	21.4	20.7	19.0	3.5%	9.0%	4.0%	85%	1.87	232	9.1	Dec
PNY	N	40.93	3.3	5.1	1.87	1.99	2.12	2.24	21.9	20.6	19.3	6.3%	6.7%	3.2%	71%	1.32	454	11.2	Oct
OGS	NC	47.47	2.5	3.6	2.18	2.35	2.55		21.8	20.2	18.6	7.8%	8.9%	2.5%	55%	1.20	394	9.1	Dec
WGL	NC	59.43	3.0	4.1	3.03	3.06	3.33		19.6	19.4	17.8	1.0%	9.0%	3.1%	61%	1.85	428	9.6	Sept
ATO	OW	59.00	6.1	8.7	3.08	3.25	3.42	3.73	19.2	18.2	17.2	5.5%	5.5%	2.6%	51%	1.56	980	8.9	Sept
NJR	NC	30.42	2.6	3.4	1.75	1.70	1.88		17.4	17.9	16.2	-2.9%	10.9%	3.2%	55%	0.96	262	13.1	Sept
NI	OW	18.98	6.1	16.0	1.29	1.07	1.14	1.21	14.7	17.8	16.6		7.3%	3.3%	48%	0.62	1,428	11.2	Dec
SWX	NC	59.47	2.9	4.4	3.10	3.35	3.56	3.77	19.2	17.8	16.7	8.1%	6.4%	2.7%	52%	1.62	596	7.4	Dec
LG	N	56.80	2.5	4.5	3.19	3.39	3.49		17.8	16.8	16.3	6.0%	3.0%	3.2%	58%	1.84	432	10.5	Sept
GAS	NC	61.66	7.5	11.5	2.98	3.06	3.16		20.7	20.2	19.5	2.7%	3.4%	3.3%	69%	2.04	1,199	9.6	Dec
SJI	NC	25.69	1.8	3.1	1.55	1.63	1.73		16.5	15.8	14.8	4.8%	6.3%	3.9%	65%	1.01	253	12.1	Dec
Subtotal/Averages			**39**	**66**					**19.1**	**18.7**	**17.5**	**4.3%**	**6.9%**	**3.2%**	**61%**			**10.2**	
Median									**19.2**	**18.2**	**17.2**	**5.1%**	**6.7%**	**3.2%**	**58%**			**9.6**	

Source: Bloomberg estimates; priced as of 10/9/2015 close, Units: $m. OW = Overweight, N = Neutral, UW = Underweight, NC = Not Covered, NR = Not Rated

Table 6: Gas Utility Merger Comparables

Acquirer Name	Seller Name	Announcement Date	Completion Date	Announced Transaction Value ($mn)	Consideration	TV/ EBITDA	EBITDA Time Calc.	Announced Premium	Day Before Premium	Jurisdictions requiring approval
Southern Company	AGL Resources Inc.	8/24/2015	Not Yet Completed	$12,059	Cash, Debt Assumed	9.9	LTM Prior to Announcement	36.3% (20-day vol-weighted avg)	37.9%	CA, GA, MA, NJ, TN, VA, IL*, TN*
Black Hills Corp.	SourceGas	7/12/2015	Not Yet Completed	$1,890	Cash, Debt Assumed	15.9	2014A			AK, CO, NE, WY
UIL Holdings Corporation	Philadelphia Gas Works operations	3/2/2014	Cancelled	$1,860	Cash, Debt Assumed	11.6	LTM Prior to Announcement			PA
Laclede Group, Inc.	Energen Corporation (Alabama Gas Corporation)	4/7/2014	8/31/2014	$1,600	Cash, Debt Assumed	9.6	2013A			AL
TECO Energy, Inc.	Continental Energy Systems, LLC (New Mexico Gas Intermediate, Inc.)	5/28/2013	9/2/2014	$950	Cash, Debt Assumed	11.0	LTM Prior to Announcement			NM
Energy Transfer Equity, L.P.	Southern Union Company	6/16/2011	3/26/2012	$9,200	Cash, Common Stock, Debt Assumed	13.4	LTM Prior to Announcement	17% (prior trading day)	16.8%	MA, MO
AGL Resources Inc.	Nicor Inc.	12/7/2010	12/9/2011	$3,100	Cash, Common Stock, Debt Assumed	6.7	LTM Prior to Announcement	17% (20-day vol-weighted avg)	13.3%	CA, IL
Sempra Energy	EnergySouth, Inc.	7/28/2008	10/1/2008	$772	Cash, Debt Assumed	15.8	LTM Prior to Announcement		22.6%	MS
Laclede Group, Inc.	Southern Union (Missouri Gas Energy & New England Gas)	12/17/2012	9/1/2013	$1,035	Cash, Debt Assumed	12.8	2012A			MO, MA
Average						**11.9**			**22.7%**	

Source: Bloomberg estimates, Company Data, *state jurisdiction represents less than 5% of rate base

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Table 7: Electric Utility Merger Comparables

Acquirer	Target	Announcement Date	Completion Date	Announced Transaction Value ($mn)	Consideration	TV /EBITDA	EBITDA Time Calc.	Announced Premium	Day Before Premium	Jurisdictions requiring approval
Iberdrola, S.A.	UIL Holdings Corporation	2/25/2015	Not Yet Completed	$4,760	Cash, Common Stock, Debt Assumed	11.5	LTM Prior to Announcement	24.6% (prior trading day)	24.5%	CT, MA
NextEra Energy, Inc.	Hawaiian Electric Industries, Inc.	12/3/2014	Not Yet Completed	$4,300	Cash, Common Stock, Debt Assumed	9.7	LTM Prior to Announcement	21% (20-day vol-weighted avg)	18.8%	HI
Macquarie Infrastructure, BC Investment, Manulife Financial	Cleco Corporation	10/20/2014	Not Yet Completed	$4,700	Cash, Debt Assumed	10.3	LTM Prior to Announcement	15% (prior trading day)	14.7%	LA
Wisconsin Energy Corporation	Integrys Energy Group, Inc.	6/23/2014	6/29/2015	$9,100	Cash, Common Stock, Debt Assumed	11.7	LTM Prior to Announcement	22.8% (30-day vol-weighted avg)	17.3%	IL, MI, MN, WI
Exelon Corporation	Pepco Holdings, Inc.	4/30/2014	Not Yet Completed	$12,400	Cash, Debt Assumed	10.6	2013A	28.2% (20-day vol-weighted avg)	19.6%	DE, MA, NJ, DC, VA*
Fortis Inc.	UNS Energy Corporation	12/11/2013	8/15/2014	$4,310	Cash, Debt Assumed	9.4	LTM Prior to Announcement		30.1%	AZ
MidAmerican Energy Holdings	NV Energy Incorporated	5/29/2013	12/20/2013	$10,453	Cash	8.9	LTM Prior to Announcement		20.3%	NV
NorthEast Utilities	NSTAR	10/18/2010	4/10/2012	$7,567	Common Stock, Debt Assumed	8.8	LTM Prior to Announcement	No Premium (20-day vol-weighted avg)	34.4%	MA
Average						**10.1**			**22.4%**	

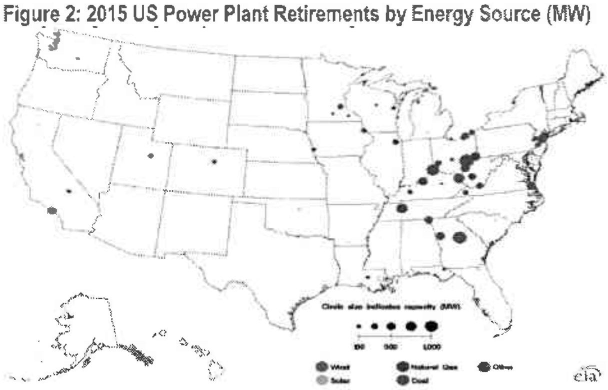
Source: Bloomberg estimates, Company Data, *state jurisdiction represents less than 5% of rate base

Gas Transmission Pipelines Often More Desirable than Local Distribution

Investments in longer-distance natural gas transmission pipelines offer better returns and in some cases better growth opportunities versus local distribution pipelines in many regions. We believe a number of geography-dependent themes help underpin the attractiveness of such midstream assets. In the southeast US region, where coal plants are most ubiquitous, environment regulations and fuel price discrepancies are driving the displacement of coal fired generation with natural gas-fired plants. In the west, Californian RPS initiatives will likely drive higher natural gas throughput, especially as the state moves toward the newly-created 50% renewables target next decade. Finally, robust demand growth in Mexico and visibility into increasing LNG exports will likely propel incremental investments in interstate pipes located within the Texas region.

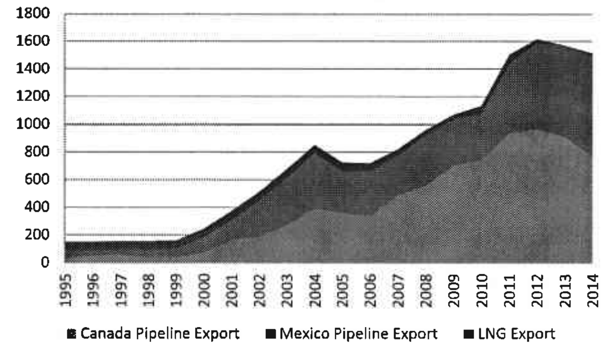
Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Figure 2: 2015 US Power Plant Retirements by Energy Source (MW)



Source: EIA

Figure 3: Historical Annual Natural Gas Exports 1995-2014



Source: EIA; units: BCF/year

Earned returns on longer-distance transmission pipelines generally tend to be higher than those earned on local electric and gas distribution infrastructure. There are several ways transmission pipeline rates are established when they are outside the jurisdiction of state utility commissions. A large majority of natural gas transmission contracts are set via the negotiated-rate method, under which the operator and shipper consent to an agreed upon rate that is essentially market-based. Rates set bilaterally tend to price higher relative to the two alternative methods creating the potential for higher obtainable ROEs. If an agreement cannot be reached on an interstate pipeline, FERC may intervene by enforcing a resource rate, creating a floor on the rate charged. Rates are calculated based on measures of rate base, capital structure, and an authorized ROE determined by the Commission that currently is in the low 11% range.

The degree of regulatory approval risk in pipeline transactions can vary significantly, sometimes being more risky and sometimes less than local state-regulated investments. In the case of pro forma ownership clearly having no market power issues, FERC approval can come much more quickly and easily than that required by state utility commissions for local gas or electric assets. However market power concerns can thwart a deal altogether, whereas the natural monopoly status of local assets generally prevents such an argument from standing in the way of deals.

Ownership interest in gas transmission assets has recently spread to larger electric utilities as they seek to apply their lower implied market costs of capital to the better returns offered by these investments. Since our June 2014 note, DUK, PNY Well-Positioned in Southeast Pipeline Scramble, electric utilities have obtained partial ownership interest in a number of gas transmission assets. DUK, PNY, GAS and D are jointly building the $4Bn Atlantic Coast Pipeline into the Carolinas, while NEE and partner EQT are building the $3.5Bn Mountain Valley Pipeline servicing the same throughput need. NEE, D and DUK as well as others have all been diversifying into other pipeline ownership stakes as well.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Table 8: Companies with Current or Proposed Ownership of Interstate Gas Pipelines

Regulated Electric	Diversified	LDC	Hybrid
DUK	D	GAS	NEE
SO	SRE	ATO	PEG
PCG	DTE	PNY	
ES	CNP	WGL	
UIL	OGE	NJR	
		SJI	
		NWN	

Source: Company Data

Multi-jurisdictional targets may not be as challenging as they seem

Of the last 10 major electric and gas utility deals announced, 4 of them have required approval of 4 or more state utility commissions. In some cases these have included known challenging jurisdictions such as CT, MD and NJ. We find the targeting of POM by EXC and GAS by SO as particularly telling of what companies are willing to go through or believe they can be successful with, even it if means a transaction may take significantly longer than 12 months to close.

We view this willingness as evidence that companies operating in a large number of jurisdictions like ATO or NI may be just as likely a target as single jurisdictional names. With a name like ATO, we find it worth noting that the Texas Railroad Commission does not have statutory jurisdiction over M&A activity, effectively exempting 75% of the company's rate base from approval risk.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

ATO, NI most likely targets; D, PEG most likely buyers; NEE & UIL also well-positioned

Among our 27 covered US utility and power names, we found several that stuck out as interesting gas asset-driven potential combinations at this time. Below are reasons we see the names as being logically involved in M&A.

Table 9: Potential Acquirers: Valuation, Leverage & Returns Comparison

Company	Price	2016 P/E	2016 Debt/Cap	2018 Net Debt / EBITDA	2014 Adj. Book ROE, Consolidated
Dominion	71.02	18.4	67%	4.0	17.3%
Public Service Enterprise Group	42.30	14.5	45%	2.6	11.9%
Nextera Energy	101.05	16.4	56%	2.9	12.3%

Source: Bloomberg, Company Data, P/E Estimates reflect 2016 consensus, *2014 Figure

Table 10: Potential Targets: Valuation, Leverage, Returns and Growth Comparison

Company	Price	2016 P/E	2016 Debt/Cap	2018 Net Debt / EBITDA	2014 Adj. Book ROE, Consolidated	Rate Base Growth Guidance
NiSource	18.98	17.8	64%	4.7	8.5%	6-8% CAGR 15-16E
UIL	49.59	19.5	57%	3.6	9.5%	7.7% CAGR 15-19E
Atmos Energy	59.00	17.9	48%	3.0	10.2%	9-10% CAGR 12-28E

Source: Bloomberg, Company Data, P/E Estimates reflect 2016 consensus, *Represents JPM Estimates

Atmos Energy

1) best in class rate base and earnings growth potential through at least 2018; 2) low current leverage allows for potentially more incremental buyer leverage and accretion; 3) CEO over 64 years old; 4) increasingly attractive gas transmission pipeline assets in low interest rate environment and increasing gas throughput areas in TX and 5) at a $6Bn market capitalization, it is one of only 2 standalone publicly traded LDCs large enough to move the earnings growth needle for many of the larger utility acquirers.

NiSource Inc.

1) strong rate base and earnings growth potential through 2018; 2) slight discounted P/E valuation to gas utility peers; 3) a highly levered capital structure that will require external equity as soon as 2016, according to our estimates and 4) at a $6Bn market capitalization, it is one of only 2 standalone publicly traded LDCs large enough to move the earnings growth needle for many of the larger utility acquirers.

UIL Holdings

1) though currently involved in the IBE merger, the largely stock-based consideration and what we view as a degree of uncertainty regarding pro forma growth incentivize UIL shareholders to consider a more valuable possible deal; 2) strong rate base growth and gas customer conversions for the next several years make standalone UIL a potentially accretive target; 3) above average leverage and expected need for external equity within 2 years.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Dominion Resources

1) stock is trading strongly versus regulated and especially diversified peers; 2) cash flow growth will be strong for years as assets are sold to Dominion Midstream; 3) the company has been cited by the media as being in talks for an acquisition since at least late 2013; 4) organic growth opportunities will likely slow with a decline in midstream investment potential in the 2017-2018 timeframe.

Public Service Enterprise Group

1) stock is trading strongly versus hybrid and utility peers; 2) the company has been cited by the media as being in talks for an acquisition since at least early 2014; 3) organic growth opportunities will likely slow with a decline in electric transmission investment potential in the 2017-2018 timeframe; and 4) a conservative balance sheet leaves room for over $2Bn of incremental leverage to fund the equity portion of a transaction.

NextEra Energy

1) stock is trading strongly versus hybrid and regulated utility peers; 2) of particular interest to NEE over the last 3 years has been midstream and upstream natural gas investments, demonstrated via development of the Mountain Valley pipeline, Sable Trail Pipeline and the rate-basing of gas reserves in OK for FP&L; 3) NextEra Energy Partners recently closed on the $1.5Bn purchase of NET Midstream's gas pipeline network in TX; 4) though YieldCo market conditions are challenged, NEE's cash flow growth profile remains strong over the next 3 years.

Potential Combination Scenarios

Table 11: Potential Combination Scenario Summary

Acquirer	Target	18E EPS Accretion	Share Premium	Consideration	Debt Financing, Incremental (%)	Interest Rate, Incremental Debt	Pro-forma Leverage	Synergies (% of FY O&M)
D	NI	1.5%	20.0%	Cash	35%	4.25%	67%	4.5%
D	ATO	3.2%	20.0%	Cash	50%	4.25%	67%	3.0%
PEG	NI	7.3%	20.0%	Cash	60%	4.25%	58%	4.5%
PEG	UIL	6.1%	10.0%	Cash	100%	4.25%	54%	2.5%
NEE	ATO	3.3%	20.0%	Cash	75%	4.25%	60%	3.0%
D	UIL	-	-	Not Likely to Occur	-	-	-	-
PEG	ATO	-	-	Not Likely to Occur	-	-	-	-
NEE	NI	-	-	Not Likely to Occur	-	-	-	-
NEE	UIL	-	-	Not Likely to Occur	-	-	-	-

Source: J.P. Morgan estimates, Company data

Dominion Resources (D- OW)

A purchase of **NI by D** has long been a popularly discussed merger scenario due to clear overlapping utility and midstream territories, but to our knowledge neither company has publicly indicated an intention of being involved in any M&A activity. We note D was noted in a December 2013 DealReporter article as being interested in a "publicly traded Midwest utility". We find the elevated leverage of both companies limits accretion potential in our calculations, despite the current strength of D shares as a currency.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

D's service territory is primarily in VA and also includes gas utilities in OH and WV and gas midstream assets throughout the Marcellus and Utica shale areas, all of which underlie NI's territories in OH, PA, VA and WV. The strong share performance of its Dominion Midstream MLP since its 2014 IPO makes Dominion unique in its ability to continue to raise low-cost capital and raise its dividend at an 8% annual rate through the end of the decade. Following the startup of LNG export in 2017, organic midstream and utility growth may slow for the company as transmission and other rate based investments fade, possibly forcing management to seek non-organic growth opportunities.

Besides being a logical geographic candidate for D, NI offers better rate base growth potential at a less-expensive valuation than many other gas utility peers. NI is among the most leveraged names in our coverage universe, and we expect the company to require external equity as soon as 2016.

Table 12: Hypothetical D & NI Merger Scenario

Acquisition Assumptions	
NI Share Price (10/9/2015 close)	18.98
Purchase Premium	20.0%
Takeout Price	23
NI Share Count	319
Equity Value FY 2016 YE	7,260
NI Debt FY 2016 YE	7,554
NI Cash FY 2016 YE	-
NI Minority Interest FY 2016 YE	-
NI TV FY 2016 YE	14,814
TV/18E EBITDA	9.3
TV/17E EBITDA	9.9
Financing Assumptions	
Cash Consideration	-
Capital Markets Funding	7,260
Debt	35%
Equity	65%
Annual Interest Rate on Debt	4.25%
Incremental Interest	108
BS Pro-Forma (FY 2016E)	**Consolidated**
Net Debt to Cap	67%
Net Debt to 2018 EBITDA	4.4

Accretion	**2017E**	**2018E**
Net Income attributable to D & NI	2833	3294
Shares Outstanding	697	697
EPS	4.06	4.72
Dominion stand-alone EPS	4.05	4.66
Accretion	0.4%	1.5%
Share Price Analysis	**2017E**	
Share Price of Dominion Equity Issuance	71.02	
Shares Raised	66	
Pre-Merger Basic Shares Outstanding	631	
Pro-Forma Basic Shares Outstanding	697	
Synergies	**2017E**	**2018E**
O&M Dominion & NiSource	4,046	4,106
Synergies % O&M	4.5%	4.5%
Synergies	182	185
Concessions % O&M	2.3%	2.3%
Concessions	(91)	(92)
BS Stand Alone (FY 2016E)	**Dominion**	**NiSource**
Net Debt to Cap	67%	64%
Net Debt to 2018 EBITDA	4.0	4.7

Source: J.P. Morgan estimates, Company data; units: $m
20% premium based on comparable merger transactions from 2012-2015
Synergy assumption based on relative size of target and acquirer

We instead view a purchase of **ATO by D** as a potentially more accretive transaction. ATO is among the fastest growing and largest LDC's and, like NI, one of the few names that could move the needle for D. D is also a logical owner of ATO's intrastate pipeline network due to its already large midstream presence and would likely not be hindered by anti-trust concerns due to a lack of current TX assets. ATO's under-levered balance sheet also would be more palatable for D's debt-heavy structure, in our opinion.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Table 13: Hypothetical D & ATO Merger Scenario

Acquisition Assumptions	
Atmos Share Price (10/9/2015 close)	59.00
Purchase Premium	20.0%
Takeout Price	71
Atmos Share Count FY 2016 YE	104
Equity Value	7,359
Atmos Debt FY 2016 YE	3,294
Atmos Cash FY 2016 YE	-
Atmos Minority Interest FY 2016YE	-
Atmos TV FY 2016 YE	10,653
TV/2018 EBITDA	9.5
TV/2017 EBITDA	10.2

Financing Assumptions	
Cash Consideration	-
Capital Markets Funding	7,359
Debt	50%
Equity	50%
Annual Interest Rate on Debt	4.25%
Incremental Interest	156

BS Pro-Forma (FY 2016E)	Consolidated
Net Debt to Cap	67%
Net Debt to 2018 EBITDA	4.3

Accretion	2017E	2018E
Net Income attributable to D & ATO	2822	3280
Shares Outstanding	683	683
EPS	4.13	4.81
Dominion stand-alone EPS	4.05	4.66
Accretion	2.2%	3.2%

Share Price Analysis	2017E
Share Price of Dominion Equity Issuance	71.02
Shares Raised	52
Pre-Merger Basic Shares Outstanding	631
Pro-Forma Basic Shares Outstanding	683

Synergies	2017E	2018E
O&M Dominion & NiSource	3,068	3,126
Synergies % O&M	3.0%	3.0%
Synergies	92	94
Concessions % O&M	1.5%	1.5%
Concessions	(46)	(47)

BS Stand Alone (FY 2016E)	Dominion	ATO
Net Debt to Cap	67%	48%
Net Debt to 2018 EBITDA	4.0	3.0

Source: J.P. Morgan estimates, Company data; units: $m
20% premium based on comparable merger transactions from 2012-2015
Synergy assumption based on relative size of target and acquirer

We do not view a purchase of **UIL by D** as a likely scenario. UIL's small size makes a deal less likely to be materially accretive for D, and high standalone leverage of both companies limits the potential to fund the transaction with incremental debt. Equally importantly, unlike the jurisdictions involved in the NI or ATO combinations, D has no regulated utility assets in UIL's operating jurisdictions of CT and MA.

Public Service Enterprise Group (PEG- N)

PEG purchasing UIL would require an offer to be made public ahead of the IBE merger UIL shareholder vote, expected as soon as the SEC approves the company's S-4 filing in the next several weeks. Considering the IBE offer's minimal cash component and what we view as a degree of uncertainty regarding pro forma growth, an all-cash PEG offer may not need to be particularly high to woo UIL shareholders. Any financially superior offer could be viewed as significantly better for UIL given PEG's transparent, utility-driven growth profile.

PEG management has not publicly indicated a desire to grow via acquisition to our knowledge, but has been reported in the press as being interested in POM and PPL in 2014 by TheStreet.com. Long a conservatively capitalized company, it also has been going out of its way of late to highlight incremental debt capacity at its holding company and quantified the amount as $2.0-2.5Bn in September 2015.

UIL's CT service territories' relative proximity to PEG and sizeable gas utility infrastructure make it a logical target given PEG's regulated NJ assets and current gas utility ownership. Additionally, PEG's stable and well regarded track record

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

with NJ regulators may be viewed as contrasting IBE in the eyes of CT regulators as they review the current transaction settlement. As is the case with IBE, PEG could also bring to the table the financing capability required to fund UIL's strong fuel-conversion driven rate base growth.

Table 14: Hypothetical PEG & UIL Merger Scenario

Acquisition Assumptions	
UIL Share Price (10/9/2015 close)	49.59
Purchase Premium	10.0%
Takeout Price	55
UIL Share Count FY 2016 YE	57
Equity Value	3,089
UIL Debt FY 2016 YE	1,884
UIL Cash FY 2016 YE	-
UIL Minority Interest FY 2016YE	-
UIL TV FY 2016 YE	4,973
TV/2018 EBITDA	9.6
TV/2017 EBITDA	10.0
Financing Assumptions	
Cash Consideration	-
Capital Markets Funding	3,089
Debt	100%
Equity	0%
Annual Interest Rate on Debt	4.25%
Incremental Interest	131
BS Pro-Forma (FY 2016E)	**Consolidated**
Net Debt to Cap	54%
Net Debt to 2018 EBITDA	3.3

Accretion	**2017E**	**2018E**
Net Income attributable to PEG & UIL	1527	1503
Shares Outstanding	506	506
EPS	3.02	2.97
PSE&G stand-alone EPS	2.87	2.80
Accretion	5.3%	6.1%
Share Price Analysis	**2017E**	
Share Price of PSE&G Equity Issuance	42.30	
Shares Raised	-	
Pre-Merger Basic Shares Outstanding	506	
Pro-Forma Basic Shares Outstanding	506	
Synergies	**2017E**	**2018E**
O&M PSE&G & UIL	3,505	3,619
Synergies % O&M	2.5%	2.5%
Synergies	88	90
Concessions % O&M	1.3%	1.3%
Concessions	(44)	(45)
BS Stand Alone (FY 2016E)	**PSE&G**	**UIL**
Net Debt to Cap	45%	57%
Net Debt to 2018 EBITDA	2.6	3.6

Source: J.P. Morgan estimates, Company data; units: $m
10% premium assumes a cash offer in excess of IBE's offer would require a smaller premium vs. comparable deals.
Synergy assumption based on relative size of target and acquirer

We view a **PEG purchase of NI** as a potentially more accretive use of incremental debt capacity, however. NI's strong rate base and earnings growth potential is still in the early stages of a 10+ year runway of spending following its separation from its midstream gas assets earlier this year. NI is among the most levered names in our coverage and its growth will require external equity as soon as 2016, according to our estimates, making a combination with one of the strongest balance sheets in our coverage one of the more plausible scenarios versus other companies, in our opinion. The bulk of NI's rate base is in IN, OH, PA and MA, a measured and incremental regional geographic expansion for PEG from its current NJ base.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Table 15: Hypothetical PEG & NI Merger Scenario

Acquisition Assumptions	
NiSource Share Price (10/9/2015 close)	18.98
Purchase Premium	20.0%
Takeout Price	23
NiSource Share Count FY 2016 YE	319
Equity Value	7,260
NiSource Debt FY 2016 YE	7,554
NiSource Cash FY 2016 YE	-
NiSource Minority Interest FY 2016YE	-
NiSource TV FY 2016 YE	14,814
TV/2018 EBITDA	9.3
TV/2017 EBITDA	9.9

Financing Assumptions	
Cash Consideration	-
Capital Markets Funding	7,260
Debt	60%
Equity	40%
Annual Interest Rate on Debt	4.25%
Incremental Interest	185

BS Pro-Forma (FY 2016E)	Consolidated
Net Debt to Cap	58%
Net Debt to 2018 EBITDA	3.8

Accretion	2017E	2018E
Net income attributable to PEG & NI	1728	1726
Shares Outstanding	575	575
EPS	3.01	3.00
PSE&G stand-alone EPS	2.87	2.80
Accretion	4.9%	7.3%

Share Price Analysis	2017E
Share Price of PSE&G Equity Issuance	42.30
Shares Raised	69
Pre-Merger Basic Shares Outstanding	506
Pro-Forma Basic Shares Outstanding	575

Synergies	2017E	2018E
O&M PEG & NI	4,613	4,741
Synergies % O&M	4.5%	4.5%
Synergies	208	213
Concessions % O&M	2.3%	2.3%
Concessions	(104)	(107)

BS Stand Alone (FY 2016E)	PSE&G	NiSource
Net Debt to Cap	45%	64%
Net Debt to 2018 EBITDA	2.6	4.7

Source: J.P. Morgan estimates, Company data; units: $m
20% premium based on comparable merger transactions from 2012-2015
Synergy assumption based on relative size of target and acquirer

We do not view a purchase of **ATO by PEG** as a likely scenario. PEG has limited experience operating the long-distance gas pipelines similar to those owned by ATO. Additionally, ATO's rate base is primarily in TX, with smaller rate bases throughout the Midwest and southeast. Unlike a potential combination with UIL or NI, we view an expansion of PEG's regulated territories to non-adjacent regions as too-aggressive a transaction for what we view as a conservative organic or M&A expansion strategy of management.

NextEra Energy (NEE- Not Rated due to Restriction)

A potential combination of **NEE and ATO** is one of the more interesting and less obvious of our scenarios. NEE is currently in the regulatory approval process of acquiring HE and was a known candidate for Energy Future Holdings' Oncor utility throughout most of the bankruptcy process. Though the pending HE transaction makes a simultaneous pursuit less likely, we see NEE as one of the few companies with the ability and willingness to purchase companies in succession. Both before and since the announcement of the HE transaction, NEE management has publicly stated it sees a need for more utility M&A and views itself as a potential consolidator.

Of particular interest to NEE over the last 3 years has been midstream and upstream natural gas investments, demonstrated via development of the Mountain Valley pipeline, Sable Trail Pipeline and the rate-basing of gas reserves in OK for FP&L. Additionally, NextEra Energy Partners recently closed on the $1.5Bn purchase of NET Midstream's gas pipeline network in TX. Though YieldCo market conditions are challenged, NEE's cash flow growth profile remains strong over the next 3 years, in our view. Additionally, the HE transaction is being paid for entirely

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

with NEE equity, allowing NEE to continue to slowly de-lever from its relatively high current 60% debt-to-cap level even with HE.

ATO is among the fastest growing and largest LDC's and one of the few names that could move the needle for NEE. Their intrastate pipeline network would be a natural complement to NEP's new midstream assets and potentially allow for synergies with these and its sizeable power generation portfolio in the state. ATO is also under-levered relative to peers, potentially allowing for NEE to take on incremental leverage to fund the transaction.

Table 16: Hypothetical NEE & ATO Merger Scenario

Acquisition Assumptions	
Atmos Share Price (10/9/2015 close)	59.00
Purchase Premium	20.0%
Takeout Price	71
Atmos Share Count FY 2016 YE	104
Equity Value	7,359
Atmos Debt FY 2016 YE	3,294
Atmos Cash FY 2016 YE	-
Atmos Minority Interest FY 2016YE	-
Atmos TV FY 2016 YE	10,653
TV/2018 EBITDA	9.5
TV/2017 EBITDA	10.2
Financing Assumptions	
Cash Consideration	-
Capital Markets Funding	7,359
Debt	75%
Equity	25%
Annual Interest Rate on Debt	4.25%
Incremental Interest	235
BS Pro-Forma (FY 2016E)	**Consolidated**
Net Debt to Cap	60%
Net Debt to 2018 EBITDA	3.4

Accretion	**2017E**	**2018E**
Net Income attributable to NEE & ATO	3202	3417
Shares Outstanding	482	482
EPS	6.65	7.09
NEE stand-alone EPS (Consensus)	6.51	6.87
Accretion	2.1%	3.3%
Share Price Analysis	**2017E**	
Share Price of NEE Equity Issuance	101.05	
Shares Raised	18	
Pre-Merger Basic Shares Outstanding	463	
Pro-Forma Basic Shares Outstanding	482	
Synergies	**2017E**	**2018E**
O&M ATO & NEE	3,791	3,842
Synergies % O&M	3.0%	3.0%
Synergies	114	115
Concessions % O&M	1.5%	1.5%
Concessions	(57)	(58)
BS Stand Alone (FY 2016E)	**NEE**	**ATO**
Net Debt to Cap	56%	48%
Net Debt to 2018 EBITDA	2.9	3.0

Source: J.P. Morgan estimates, Company data; units: $m
20% premium based on comparable merger transactions from 2012-2015
Synergy assumption based on relative size of target and acquirer
NEE metrics reflect Bloomberg consensus estimates

We do not view a purchase of **NI by NEE** as a likely scenario. The very high leverage of NI standalone and relatively high leverage of NEE make a deal potentially less accretive than it could be for NEE and ATO, for example. The location of NI's service territories in the upper Midwest, mid-Atlantic and MA also limit material asset overlap with NEE's fleet and FL regulated service territory.

We also do not view a purchase of **UIL by NEE** as a likely scenario. UIL's small size makes a deal less likely to be materially accretive for NEE, and high standalone leverage of both companies limits the potential to fund the transaction with incremental debt. As is the case with NI, NEE also shares little material asset overlay with UIL's CT and MA regulated service territory footprint.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Companies Discussed in This Report (all prices in this report as of market close on 12 October 2015)
Atmos Energy (ATO/$59.56/Overweight), Dominion Resources (D/$72.00/Overweight), NextEra Energy Inc. (NEE/$101.45/Not Rated), NiSource Inc. (NI/$19.05/Overweight), Public Service Enterprise Group (PEG/$42.70/Neutral), UIL Holdings Corporation (UIL/$50.00/Neutral)

Analyst Certification: The research analyst(s) denoted by an "AC" on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an "AC" on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. For all Korea-based research analysts listed on the front cover, they also certify, as per KOFIA requirements, that their analysis was made in good faith and that the views reflect their own opinion, without undue influence or intervention.

Important Disclosures

Company-Specific Disclosures: Important disclosures, including price charts and credit opinion history tables, are available for compendium reports and all J.P. Morgan–covered companies by visiting https://jpmm.com/research/disclosures, calling 1-800-477-0406, or e-mailing research.disclosure.inquiries@jpmorgan.com with your request. J.P. Morgan's Strategy, Technical, and Quantitative Research teams may screen companies not covered by J.P. Morgan. For important disclosures for these companies, please call 1-800-477-0406 or e-mail research.disclosure.inquiries@jpmorgan.com.

Explanation of Equity Research Ratings, Designations and Analyst(s) Coverage Universe:
J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Not Rated (NR): J.P. Morgan has removed the rating and, if applicable, the price target, for this stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, no longer should be relied upon. An NR designation is not a recommendation or a rating. In our Asia (ex-Australia) and U.K. small- and mid-cap equity research, each stock's expected total return is compared to the expected total return of a benchmark country market index, not to those analysts' coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst's coverage universe can be found on J.P. Morgan's research website, www.jpmorganmarkets.com.

Coverage Universe: Turnure, Christopher: AES Corp. (AES), Allete Inc. (ALE), American Electric Power (AEP), Atmos Energy (ATO), Black Hills Corp. (BKH), Dominion Resources (D), Duke Energy Corp. (DUK), Entergy Corp. (ETR), Exelon Corp. (EXC), FirstEnergy (FE), Great Plains Energy (GXP), Hawaiian Electric Industries Inc. (HE), ITC Holdings (ITC), NextEra Energy Inc. (NEE), Nextera Energy Partners (NEP), NiSource Inc. (NI), PG&E Corp. (PCG), Pattern Energy (PEGI), Pepco Holdings (POM), Piedmont Natural Gas Co. (PNY), Portland General Electric Co. (POR), Public Service Enterprise Group (PEG), Sempra Energy (SRE), The Laclede Group, Inc. (LG), UIL Holdings Corporation (UIL), Westar Energy Inc (WR), Xcel Energy (XEL)

J.P. Morgan Equity Research Ratings Distribution, as of September 30, 2015

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	45%	43%	12%
IB clients*	52%	49%	35%
JPMS Equity Research Coverage	45%	47%	8%
IB clients*	69%	66%	54%

*Percentage of investment banking clients in each rating category.
For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above.

Equity Valuation and Risks: For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at http://www.jpmorganmarkets.com, contact the primary analyst or your J.P. Morgan representative, or email research.disclosure.inquiries@jpmorgan.com.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Equity Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues.

Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

All research reports made available to clients are simultaneously available on our client website, J.P. Morgan Markets. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research reports available on a particular stock, please contact your sales representative.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at http://www.optionsclearing.com/publications/risks/riskstoc.pdf

Legal Entities Disclosures
U.S.: JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC. **U.K.**: JPMorgan Chase N.A., London Branch, is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and to limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from J.P. Morgan on request. J.P. Morgan Securities plc (JPMS plc) is a member of the London Stock Exchange and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in England & Wales No. 2711006. Registered Office 25 Bank Street, London, E14 5JP. **South Africa**: J.P. Morgan Equities South Africa Proprietary Limited is a member of the Johannesburg Securities Exchange and is regulated by the Financial Services Board. **Hong Kong**: J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong and/or J.P. Morgan Broking (Hong Kong) Limited (CE number AAB027) is regulated by the Securities and Futures Commission in Hong Kong. **Korea**: This material is issued and distributed in Korea by or through J.P. Morgan Securities (Far East) Limited, Seoul Branch, which is a member of the Korea Exchange(KRX) and is regulated by the Financial Services Commission (FSC) and the Financial Supervisory Service (FSS). **Australia**: J.P. Morgan Australia Limited (JPMAL) (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (JPMSAL) (ABN 61 003 245 234/AFS Licence No: 238066) is regulated by ASIC and is a Market, Clearing and Settlement Participant of ASX Limited and CHI-X. **Taiwan**: J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited (Corporate Identity Number - U67120MH1992FTC068724), having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz - East, Mumbai – 400098, is a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI Registration Number - INB 010675237/INF 010675237) and is regulated by Securities and Exchange Board of India. Telephone: 91-22-6157 3000, Facsimile: 91-22-6157 3990 and Website: www.jpmipl.com. For non local research reports, this material is not distributed in India by J.P. Morgan India Private Limited. **Thailand**: This material is issued and distributed in Thailand by JPMorgan Securities (Thailand) Ltd., which is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission and its registered address is 3rd Floor, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500. **Indonesia**: PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the OJK a.k.a. BAPEPAM LK. **Philippines**: J.P. Morgan Securities Philippines Inc. is a Trading Participant of the Philippine Stock Exchange and a member of the Securities Clearing Corporation of the Philippines and the Securities Investor Protection Fund. It is regulated by the Securities and Exchange Commission. **Brazil**: Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico**: J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore**: This material is issued and distributed in Singapore by or through J.P. Morgan Securities Singapore Private Limited (JPMSS) [MCI (P) 100/03/2015 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. This material is provided in Singapore only to accredited investors, expert investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289. Recipients of this document are to contact JPMSS or JPMCB Singapore in respect of any matters arising from, or in connection with, the document. **Japan**: JPMorgan Securities Japan Co., Ltd. and JPMorgan Chase Bank, N.A., Tokyo Branch are regulated by the Financial Services Agency in Japan. **Malaysia**: This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan**: J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia**: J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai**: JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

Country and Region Specific Disclosures
U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMS plc. Investment research issued by JPMS plc has been prepared in accordance with JPMS plc's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities plc, Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: http://www.hkex.com.hk. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan, Type II Financial Instruments Firms Association and Japan Investment Advisers Association. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Limited, Seoul Branch. **Singapore:** As at the date of this report, JPMSS is a designated market maker for certain structured warrants listed on the Singapore Exchange where the underlying securities may be the securities discussed in this report. Arising from its role as designated market maker for such structured warrants, JPMSS may conduct hedging activities in respect of such underlying securities and hold or have an interest in such underlying securities as a result. The updated list of structured warrants for which JPMSS acts as designated market maker may be found on the website of the Singapore Exchange Limited: http://www.sgx.com.sg. In addition, JPMSS and/or its affiliates may also have an interest or holding in any of the securities discussed in this report – please see the Important Disclosures section above. For securities where the holding is 1% or greater, the holding may be found in the Important Disclosures section above. For all other securities mentioned in this report, JPMSS and/or its affiliates may have a holding of less than 1% in such securities and may trade them in ways different from those discussed in this report. Employees of JPMSS and/or its affiliates not involved in the preparation of this report may have investments in the securities (or derivatives of such securities) mentioned in this report and may trade them in ways different from those discussed in this report. **Taiwan:** This material is issued and distributed in Taiwan by J.P. Morgan Securities (Taiwan) Limited. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **Brazil**: Ombudsman J.P. Morgan: 0800-7700847 / ouvidoria.jp.morgan@jpmorgan.com.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised October 3, 2015.

J.P.Morgan

North America Equity Research
04 November 2015

NiSource Inc.

Model Update

Overweight

NI, NI US

Price: $19.36

▲ **Price Target: $22.00**
Previous: $20.00

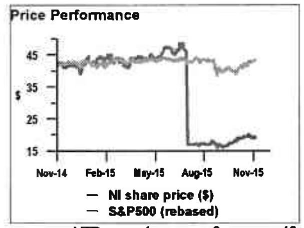
We are updating our earnings estimate to include FY3Q earnings results. We are also raising our December 2016 price target to $22 from $20 reflecting a higher regulated peer multiple relative to our prior update and higher earnings estimates after the Q3 beat.

Electric & Gas Utilities

Christopher Turnure AC
(1-212) 622-5696
christopher.turnure@jpmorgan.com
Bloomberg JPMA TURNURE <GO>

Andrew Pon
(1-212) 622-9485
andrew.pon@jpmorgan.com
J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	-54.4%	1.6%	15.1%	-53.4%
Rel	-56.5%	-4.2%	14.7%	-57.9%

NiSource Inc. (NI;NI US)

FYE Dec	2014A	2015E *(Prev)*	2015E *(Curr)*	2016E *(Prev)*	2016E *(Curr)*	2017E *(Prev)*	2017E *(Curr)*	2018E *(Prev)*	2018E *(Curr)*
EPS ($)									
Q1 (Mar)	0.82	0.85A	0.85A	-	-	-	-	-	-
Q2 (Jun)	0.25	0.23	0.18A	-	-	-	-	-	-
Q3 (Sep)	0.14	0.02	0.06A	-	-	-	-	-	-
Q4 (Dec)	0.51	0.31	0.32	-	-	-	-	-	-
FY	1.72	0.79	1.40	1.07	1.08	1.14	1.16	1.20	1.24

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data	
Price ($)	19.36
Date Of Price	04 Nov 15
52-week Range ($)	19.85-15.26
Market Cap ($ mn)	6,169.48
Fiscal Year End	Dec
Shares O/S (mn)	319
Price Target ($)	22.00
Price Target End Date	31-Dec-16

See page 5 for analyst certification and important disclosures.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Investment Thesis, Valuation and Risks

NiSource Inc. *(Overweight; Price Target: $22.00)*

Investment Thesis

We believe NiSource has top-tier investment potential relative to peers given its eight utilities in seven states and robust capital spending runway. We expect this capital to be deployed accretively given solid authorized ROEs, an efficient balance sheet with elevated leverage, and an array of low-lag regulatory constructs. For these reasons, as well as the 6-8%+ rate base growth potential, we expect NI to achieve the top end of its 4-6% long-term EPS growth guidance. As visibility into capital and growth plans increase and appreciation for the company's low risk, high growth story improves, we see shares outperforming post-spin.

Valuation

We are raising our December 2016 price target to $22/share (prior $20/share). Our target is based on a sum-of-the-parts analysis and uses our 2018E electric and gas segment EPS forecasts. We value the gas segment using a 19.4x P/E multiple, a premium to gas utility peers due to the company's high rate base growth, large portfolio of utilities and favorable rate constructs. We value the electric segment using a 16.0x P/E multiple, a premium to pure regulated electric utility peers due to the favorable rate construct in IN and near-term transmission-driven growth potential. The upward revision in price target reflects a higher regulated peer multiple relative to our prior update.

Risk to Rating and Price Target

- Regulated electric transmission and distribution earnings are vulnerable to mild weather as regulated revenues are calculated based on energy volumes sold. Extreme or mild temperatures may cause future earnings to differ materially from our current forecasts.
- Achievement of NiSource' long-term rate base and EPS CAGR targets are heavily dependent on robust capital investments, regulatory support, and favorable ratemaking mechanism. Any deferral of spending could put the company at risk of falling short of the LT rate base and earnings growth CAGR in any one year.
- Regulated electric and gas utilities are subject to federal and state regulations, including determinations of allowed revenues. Positive or negative changes to the regulatory environments may cause future earnings potential to differ materially from current expectations.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

J.P.Morgan

NiSource Inc.: Summary of Financials

Income Statement - Annual	FY14A	FY15E	FY16E	FY17E
Sales	6,456	5,150	4,033	4,157
COGS	(2,224)	(1,443)	(836)	(836)
D&A	(606)	(586)	(528)	(548)
Operations and maintenance	(2,437)	(2,054)	(1,702)	(1,721)
Other expenses	-	-	-	-
Total operating expenses	3,043	2,640	2,230	2,269
Other income / (expense)	103	62	0	0
EBIT	**1,293**	**1,129**	**967**	**1,051**
EBITDA	**1,898**	**1,715**	**1,495**	**1,599**
Interest expense	(444)	(420)	(403)	(421)
Income tax provision	(307)	(249)	(214)	(240)
Tax rate	36.1%	35.1%	38.0%	38.0%
Discontinued operations and other	0	0	0	0
Preferred dividends	-	-	-	-
Net income	**543**	**444**	**350**	**391**
Total non-recurring items	-	-	-	-
Net income (Recurring)	**543**	**444**	**350**	**391**
Diluted shares outstanding	**315**	**318**	**324**	**338**
Diluted EPS	**1.72**	**1.40**	**1.08**	**1.16**
DPS ($)	0.83	0.64	0.67	0.70
Payout ratio	48.2%	45.6%	62.3%	60.7%

Income Statement - Quarterly	1Q15A	2Q15A	3Q15A	4Q15E
Sales	2,128A	1,176A	821A	1,026
COGS	(806)A	(219)A	(209)A	(209)
D&A	(158)A	(167)A	(133)A	(129)
Operations and maintenance	(656)A	(600)A	(364)A	(435)
Other expenses	-	(29)A	-	-
Total operating expenses	814A	767A	496A	564
Other income / (expense)	28A		6A	0
EBIT	**536A**	**162A**	**122A**	**253**
EBITDA	**693A**	**329A**	**254A**	**382**
Interest expense	(111)A	(117)A	(95)A	(97)
Income tax provision	(150)A	(36)A	(8)A	(55)
Tax rate	35.2%A	80.9%A	30.7%A	35.4%
Discontinued operations and other	0A	0A	0A	0
Preferred dividends	-	-	-	-
Net income	**268A**	**(0)A**	**19A**	**101**
Total non-recurring items	-	-	-	-
Net income (Recurring)	**268A**	**57A**	**19A**	**101**
Diluted shares outstanding	**317A**	**318A**	**318A**	**320**
Diluted EPS	**0.85A**	**0.18A**	**0.06A**	**0.32**
DPS ($)	0.16A	0.16A	0.16A	0.16
Payout ratio	18.3%A	NMA	279.8%A	51.6%

Balance Sheet and Cash Flow Data	FY14A	FY15E	FY16E	FY17E
Cash and cash equivalents	25	0	0	0
Current assets	2,467	1,641	1,781	1,909
PP&E	16,017	11,908	12,782	13,516
Non-current assets	6,383	3,727	3,727	3,727
Total assets	**24,866**	**17,276**	**18,290**	**19,153**
Current liabilities	3,955	2,042	2,339	2,338
Long-term Debt	8,156	6,266	6,576	6,886
Preferred stock	-	-	-	-
Other non-current liabilities	6,580	5,104	5,318	5,558
Common equity	6,175	3,864	4,057	4,371
Total liabilities & equity	24,866	17,276	18,290	19,153
Net income	530	344	350	391
D&A	606	527	528	548
Change in working capital	(140)	140	(140)	(128)
Change in other assets	325	146	214	240
Net operating cash flow	**1,321**	**1,156**	**952**	**1,050**
Cash flow from investing activities	**(2,117)**	**2,490**	**(1,403)**	**(1,283)**
Net common equity issued/(repurchased)	20	1,179	50	150
Net debt issued/(repurchased)	1,106	(3,256)	310	310
Common dividends paid	(321)	(264)	(207)	(227)
Other financing activity	(9)	(1,399)	0	0
Cash flow from financing activities	**796**	**(3,740)**	**153**	**233**
Increase/(decrease) in cash	0	(93)	(297)	1
Cash at beginning of the period	27	25	0	0
Cash at end of the period	25	0	0	(0)

Ratio Analysis	FY14A	FY15E	FY16E	FY17E
Sales growth	278.6%	(20.2%)	(21.7%)	3.1%
EBITDA growth	11.3%	(9.6%)	(12.8%)	7.0%
EBIT growth	14.6%	(12.6%)	(14.4%)	8.8%
Net income (recurring) growth	14.0%	(18.1%)	(21.3%)	11.7%
Diluted EPS growth	-	(18.8%)	(22.8%)	7.2%
Gross margin	65.5%	72.0%	79.3%	79.9%
Operating margin	20.0%	21.9%	24.0%	25.3%
Debt / Capital (book)	61.2%	62.6%	63.6%	62.8%
Times interest earned	4.3	4.1	3.7	3.8
ROE	17.6%	8.9%	8.8%	9.3%
Return on capital employed (ROCE)	6.8%	5.6%	5.6%	5.7%

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Analyst Certification: The research analyst(s) denoted by an "AC" on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an "AC" on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. For all Korea-based research analysts listed on the front cover, they also certify, as per KOFIA requirements, that their analysis was made in good faith and that the views reflect their own opinion, without undue influence or intervention.

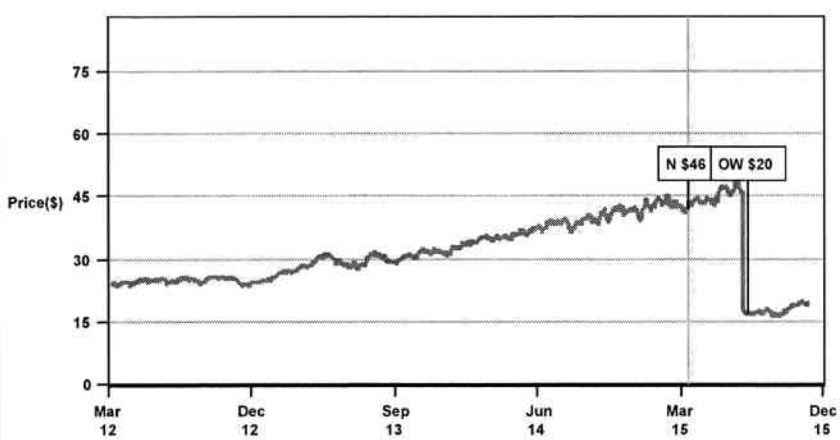
Important Disclosures

- **Market Maker:** JPMS makes a market in the stock of NiSource Inc..
- **Market Maker/ Liquidity Provider:** J.P. Morgan Securities plc and/or an affiliate is a market maker and/or liquidity provider in NiSource Inc..
- **Client:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients: NiSource Inc..
- **Client/Investment Banking:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as investment banking clients: NiSource Inc..
- **Client/Non-Investment Banking, Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, securities-related: NiSource Inc..
- **Client/Non-Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-securities-related: NiSource Inc..
- **Investment Banking (past 12 months):** J.P. Morgan received in the past 12 months compensation for investment banking services from NiSource Inc..
- **Investment Banking (next 3 months):** J.P. Morgan expects to receive, or intends to seek, compensation for investment banking services in the next three months from NiSource Inc..
- **Non-Investment Banking Compensation:** J.P. Morgan has received compensation in the past 12 months for products or services other than investment banking from NiSource Inc..
- **Other Significant Financial Interests:** J.P. Morgan owns a position of 1 million USD or more in the debt securities of NiSource Inc..

Company-Specific Disclosures: Important disclosures, including price charts and credit opinion history tables, are available for compendium reports and all J.P. Morgan–covered companies by visiting https://jpmm.com/research/disclosures, calling 1-800-477-0406, or e-mailing research.disclosure.inquiries@jpmorgan.com with your request. J.P. Morgan's Strategy, Technical, and Quantitative Research teams may screen companies not covered by J.P. Morgan. For important disclosures for these companies, please call 1-800-477-0406 or e-mail research.disclosure.inquiries@jpmorgan.com.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

NiSource Inc. (NI, NI US) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Mar 18, 2015.

Date	Rating	Share Price ($)	Price Target ($)
18-Mar-15	N	41.92	46.00
09-Jul-15	OW	17.14	20.00

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.
J.P. Morgan ratings or designations: OW = Overweight, N= Neutral, UW = Underweight, NR = Not Rated

Explanation of Equity Research Ratings, Designations and Analyst(s) Coverage Universe:
J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Not Rated (NR): J.P. Morgan has removed the rating and, if applicable, the price target, for this stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, no longer should be relied upon. An NR designation is not a recommendation or a rating. In our Asia (ex-Australia) and U.K. small- and mid-cap equity research, each stock's expected total return is compared to the expected total return of a benchmark country market index, not to those analysts' coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst's coverage universe can be found on J.P. Morgan's research website, www.jpmorganmarkets.com.

Coverage Universe: Turnure, Christopher: AES Corp. (AES), Allete Inc. (ALE), American Electric Power (AEP), Atmos Energy (ATO), Black Hills Corp. (BKH), Dominion Resources (D), Duke Energy Corp. (DUK), Entergy Corp. (ETR), Exelon Corp. (EXC), FirstEnergy (FE), Great Plains Energy (GXP), Hawaiian Electric Industries Inc. (HE), ITC Holdings (ITC), NextEra Energy Inc. (NEE), Nextera Energy Partners (NEP), NiSource Inc. (NI), PG&E Corp. (PCG), Pattern Energy (PEGI), Pepco Holdings (POM), Piedmont Natural Gas Co. (PNY), Portland General Electric Co. (POR), Public Service Enterprise Group (PEG), Sempra Energy (SRE), The Laclede Group, Inc. (LG), UIL Holdings Corporation (UIL), Westar Energy Inc (WR), Xcel Energy (XEL)

J.P. Morgan Equity Research Ratings Distribution, as of September 30, 2015

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	45%	43%	12%
IB clients*	52%	49%	35%
JPMS Equity Research Coverage	45%	47%	8%
IB clients*	69%	66%	54%

*Percentage of investment banking clients in each rating category.
For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Equity Valuation and Risks: For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at http://www.jpmorganmarkets.com, contact the primary analyst or your J.P. Morgan representative, or email research.disclosure.inquiries@jpmorgan.com.

Equity Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues.

Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

All research reports made available to clients are simultaneously available on our client website, J.P. Morgan Markets. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research reports available on a particular stock, please contact your sales representative.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at http://www.optionsclearing.com/publications/risks/riskstoc.pdf

Legal Entities Disclosures
U.S.: JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC. **U.K.**: JPMorgan Chase N.A., London Branch, is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and to limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from J.P. Morgan on request. J.P. Morgan Securities plc (JPMS plc) is a member of the London Stock Exchange and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in England & Wales No. 2711006. Registered Office 25 Bank Street, London, E14 5JP. **South Africa**: J.P. Morgan Equities South Africa Proprietary Limited is a member of the Johannesburg Securities Exchange and is regulated by the Financial Services Board. **Hong Kong**: J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong and/or J.P. Morgan Broking (Hong Kong) Limited (CE number AAB027) is regulated by the Securities and Futures Commission in Hong Kong. **Korea**: This material is issued and distributed in Korea by or through J.P. Morgan Securities (Far East) Limited, Seoul Branch, which is a member of the Korea Exchange(KRX) and is regulated by the Financial Services Commission (FSC) and the Financial Supervisory Service (FSS). **Australia**: J.P. Morgan Australia Limited (JPMAL) (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (JPMSAL) (ABN 61 003 245 234/AFS Licence No: 238066) is regulated by ASIC and is a Market, Clearing and Settlement Participant of ASX Limited and CHI-X. **Taiwan**: J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited (Corporate Identity Number - U67120MH1992FTC068724), having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz - East, Mumbai – 400098, is registered with Securities and Exchange Board of India (SEBI) as a 'Research Analyst' having registration number INH000001873. J.P. Morgan India Private Limited is also registered with SEBI as a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI Registration Number - INB 010675237/INF 010675237). Telephone: 91-22-6157 3000, Facsimile: 91-22-6157 3990 and Website: www.jpmipl.com. For non local research reports, this material is not distributed in India by J.P. Morgan India Private Limited. **Thailand**: This material is issued and distributed in Thailand by JPMorgan Securities (Thailand) Ltd., which is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission and its registered address is 3rd Floor, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500. **Indonesia**: PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the OJK a.k.a. BAPEPAM LK. **Philippines**: J.P. Morgan Securities Philippines Inc. is a Trading Participant of the Philippine Stock Exchange and a member of the Securities Clearing Corporation of the Philippines and the Securities Investor Protection Fund. It is regulated by the Securities and Exchange Commission. **Brazil**: Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico**: J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore**: This material is issued and distributed in Singapore by or through J.P. Morgan Securities Singapore Private Limited (JPMSS) [MCI (P) 100/03/2015 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. This material is provided in Singapore only to accredited investors, expert investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289. Recipients of this document are to contact JPMSS or JPMCB Singapore in respect of any matters arising from, or in connection with, the document. **Japan**: JPMorgan Securities Japan Co., Ltd. and JPMorgan Chase Bank, N.A., Tokyo Branch are regulated by the Financial Services Agency in Japan. **Malaysia**: This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan**: J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia**: J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai**: JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

Country and Region Specific Disclosures
U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMS plc. Investment research issued by JPMS plc has been prepared in accordance with JPMS plc's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

(Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities plc, Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: http://www.hkex.com.hk. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan, Type II Financial Instruments Firms Association and Japan Investment Advisers Association. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Limited, Seoul Branch. **Singapore:** As at the date of this report, JPMSS is a designated market maker for certain structured warrants listed on the Singapore Exchange where the underlying securities may be the securities discussed in this report. Arising from its role as designated market maker for such structured warrants, JPMSS may conduct hedging activities in respect of such underlying securities and hold or have an interest in such underlying securities as a result. The updated list of structured warrants for which JPMSS acts as designated market maker may be found on the website of the Singapore Exchange Limited: http://www.sgx.com.sg. In addition, JPMSS and/or its affiliates may also have an interest or holding in any of the securities discussed in this report – please see the Important Disclosures section above. For securities where the holding is 1% or greater, the holding may be found in the Important Disclosures section above. For all other securities mentioned in this report, JPMSS and/or its affiliates may have a holding of less than 1% in such securities and may trade them in ways different from those discussed in this report. Employees of JPMSS and/or its affiliates not involved in the preparation of this report may have investments in the securities (or derivatives of such securities) mentioned in this report and may trade them in ways different from those discussed in this report. **Taiwan**: This material is issued and distributed in Taiwan by J.P. Morgan Securities (Taiwan) Limited. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **Brazil**: Ombudsman J.P. Morgan: 0800-7700847 / ouvidoria.jp.morgan@jpmorgan.com.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised October 17, 2015.

KeyBanc
Capital Markets

Alert

November 3, 2015

ENERGY: Multi-Utilities

NYSE: NI

NiSource Inc. (Overweight)

NI - ALERT: 3Q15 Earnings Results, 2016 Guidance Reaffirmed

Paul T. Ridzon / (216) 689-0270 / pridzon@key.com

John Barta / (216) 689-3386 / john_j_barta@key.com

Key Investment Points

November 2, 2015 Close: $19.18
3Q15 Ongoing EPS: $0.06 vs. a loss of $0.03 in 3Q14/ Consensus of $0.02/ KBCM of $0.02. NI excludes weather impacts from its non-GAAP number. Weather was a $0.01 per share headwind vs. normal.
Initial Take: We expect a neutral to positive response to results ahead of views and reaffirmed 2016 guidance.
2015 EPS Estimate: $1.40 (Consensus: $1.32)
2016 EPS Estimate: $1.05 (Consensus: $1.07)

Guidance: NiSource Inc. reaffirmed 2016 guidance of $1.00-$1.10 per share and a long-term EPS and dividend growth rate of 4-6%, backed by $30 billion of long-term investment opportunity.

Highlights:

- Relative to our estimate, the gas LDC's performed better on new rate mechanisms.
- NiSource Gas Distribution operating earnings were $21.6 million vs. $1.0 million. Net revenues rose $18.5 million, excluding trackers, driven by the implementation of rates under Columbia Gas of Ohio's approved infrastructure replacement program, as well as the impact of new rates in Virginia and Pennsylvania. Expenses fell $2.1 million.
- Electric segment operating earnings were $101.6 million vs. $90.2 million. Revenues excluding trackers fell $0.8 million and operating expenses excluding trackers decreased $12.2 million as a result of lower employee and administrative costs. Retail sales volumes fell 4.2%, led by a decline in industrial sales of 9.3%.
- Corporate costs were a loss of $7.4 million vs. $6.5 million.
- Interest costs rose to $94.9 million vs. $94.7 million.

9:00 a.m. ET Conference Call #: (855)-219-9570 ID#: 60322575

We will be focused on:

- Expense timing
- Electricity demand trends
- Steel customer trends

Disclosure Appendix

NiSource Inc. - **NI**

We have managed or co-managed a public offering of securities for NiSource Inc. within the past 12 months.

NiSource Inc. is an investment banking client of ours.

We have received compensation for investment banking services from NiSource Inc. during the past 12 months.

We expect to receive or intend to seek compensation for investment banking services from NiSource Inc. within the next three months.

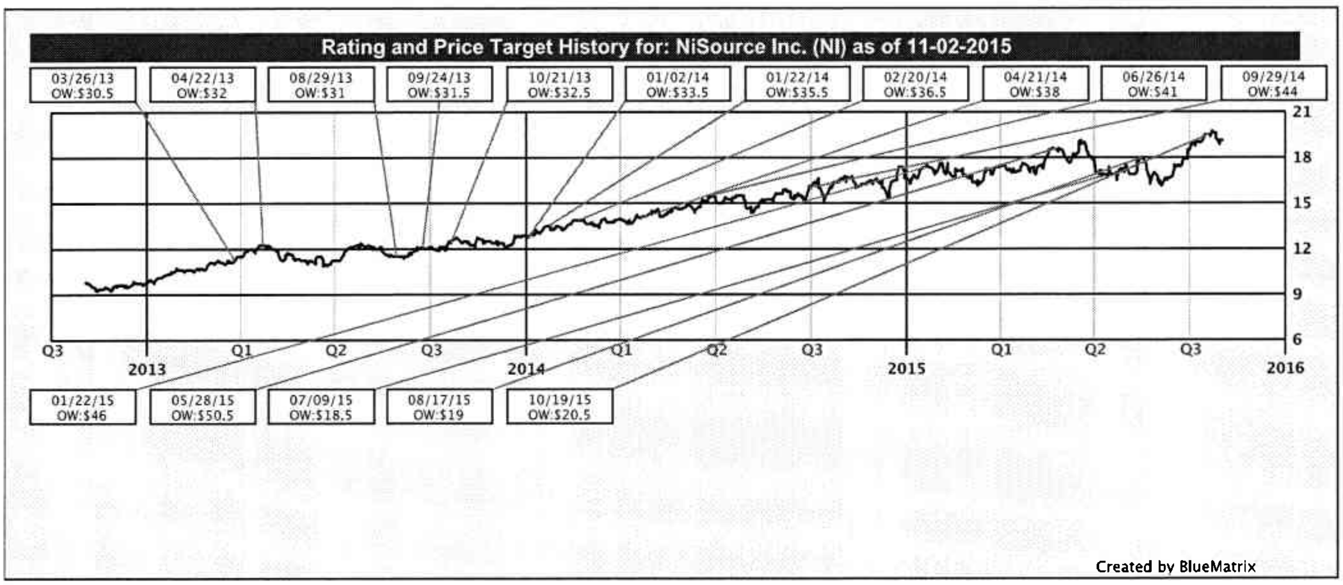
During the past 12 months, NiSource Inc. has been a client of the firm or its affiliates for non-securities related services.

As of the date of this report, we make a market in NiSource Inc..

Reg A/C Certification

The research analyst(s) responsible for the preparation of this research report certifies that:(1) all the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this research report.

Three-Year Rating and Price Target History



Rating Disclosures

Distribution of Ratings/IB Services Firmwide and by Sector

KeyBanc Capital Markets			IB Serv/Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
Overweight [OW]	349	45.68	75	21.49
Sector Weight [SW]	404	52.88	66	16.34
Underweight [UW]	11	1.44	0	0.00

ENERGY			IB Serv/Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
Overweight [OW]	42	43.30	22	52.38
Sector Weight [SW]	55	56.70	24	43.64
Underweight [UW]	0	0.00	0	0.00

Paul T. Ridzon
(216) 689-0270 / pridzon@key.com

Disclosure Appendix (cont'd)

Rating System

Overweight - We expect the stock to outperform the analyst's coverage sector over the coming 6-12 months.

Sector Weight - We expect the stock to perform in line with the analyst's coverage sector over the coming 6-12 months.

Underweight - We expect the stock to underperform the analyst's coverage sector over the coming 6-12 months.

Note: KeyBanc Capital Markets changed its rating system after market close on February 27, 2015. The previous ratings were Buy, Hold and Underweight. Additionally, Pacific Crest Securities changed its rating system to match KeyBanc Capital Markets' rating system after market close on April 10, 2015, in conjunction with the merger of the broker dealers. The previous ratings were Outperform, Sector Perform and Underperform.

Other Disclosures

KeyBanc Capital Markets is a trade name under which corporate and investment banking products and services of KeyCorp and its subsidiaries, KeyBanc Capital Markets Inc., Member NYSE/FINRA/SIPC ("KBCMI"), and KeyBank National Association ("KeyBank N.A."), are marketed. Pacific Crest Securities is a division of KeyBanc Capital Markets Inc.

KeyBanc Capital Markets Inc. ("KBCMI") does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

This report has been prepared by KBCMI. The material contained herein is based on data from sources considered to be reliable; however, KBCMI does not guarantee or warrant the accuracy or completeness of the information. It is published for informational purposes only and should not be used as the primary basis of investment decisions. Neither the information nor any opinion expressed constitutes an offer, or the solicitation of an offer, to buy or sell any security. The opinions and estimates expressed reflect the current judgment of KBCMI and are subject to change without notice. This report may contain forward-looking statements, which involve risk and uncertainty. Actual results may differ significantly from the forward-looking statements. This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the specific needs of any person or entity.

No portion of an analyst's compensation is based on a specific banking transaction; however, part of his/her compensation may be based upon overall firm revenue and profitability, of which investment banking is a component. Individuals associated with KBCMI (other than the research analyst(s) listed on page 1 of this research report) may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by NASD Rule 2711(h)(1)(A), financial interest, if any, by any research analysts listed on page 1 of this report will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosure Appendix. KBCMI itself may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by NASD Rule 2711(h)(1)(B), if KBCMI beneficially owns 1% or more of any class of common equity securities of the subject company(ies) in this research report as of the end of the month immediately preceding the date of publication of this research report will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosures Appendix. This communication is intended solely for use by KBCMI clients. The recipient agrees not to forward or copy the information to any other person without the express written consent of KBCMI.

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
19.18 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

NiSource Reaffirms 2016 Guidance; Everything on Track After Separation From Columbia Pipeline Group

Charles Fishman, CFA
Equity Analyst
charles.fishman@morningstar.com
312-696-6523

The primary analyst covering this company does not own its stock.

Research as of 03 Nov 2015
Estimates as of 30 Jun 2015
Pricing data through 02 Nov 2015
Rating updated as of 02 Nov 2015

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Analyst Note 03 Nov 2015

We are reaffirming our narrow moat and stable moat trend ratings and $16 per share fair value estimate after NiSource reported solid third-quarter operating earnings and reaffirmed its 2016 earnings guidance of $1.00-$1.10 per share. This was the first quarterly report in which NiSource and its 100% regulated utility businesses were separated from Columbia Pipeline Group.

Management indicated that it was on track with its $1.3 billion utility infrastructure investment plan for 2015 and reiterated its plan to invest $1.4 billion in 2016. Management also reiterated its long-term annual earnings and dividend growth outlook of 4%-6%. Our 2016 EPS estimate of $1.06 is unchanged.

NiSource reported 2015 third-quarter operating earnings of $0.06 per share versus a loss of $0.03 per share in the same period last year. Operating earnings benefited from the implementation of rates under Columbia Gas of Ohio's infrastructure replacement program and rate increases at Columbia Gas of Virginia and Columbia Gas of Pennsylvania. Electric net revenue, excluding the impact of trackers, decreased by almost $1 million year over year, but operating expenses decreased by $12 million due to lower employee and administrative expenses.

Overall, there appear to be no glitches after the separation from CPG on July 1, and we expect regular dividend increases of about 5% annually commencing in 2016.

Vital Statistics

Market Cap (USD Mil)	6,097
52-Week High (USD)	19.84
52-Week Low (USD)	15.26
52-Week Total Return %	21.1
YTD Total Return %	20.0
Last Fiscal Year End	31 Dec 2014
5-Yr Forward Revenue CAGR %	0.8
5-Yr Forward EPS CAGR %	-0.3
Price/Fair Value	1.20

Valuation Summary and Forecasts

Fiscal Year:	2013	2014	*2015(E)*	*2016(E)*
Price/Earnings	8.2	9.9	*12.8*	*18.1*
EV/EBITDA	7.3	8.2	*11.0*	*10.3*
EV/EBIT	11.1	12.2	*18.2*	*16.9*
Free Cash Flow Yield %	-11.2	-13.4	*-1.8*	*-5.6*
Dividend Yield %	7.6	6.1	*4.4*	*3.4*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2013	2014	*2015(E)*	*2016(E)*
Revenue	5,657	6,471	*5,297*	*5,522*
Revenue YoY %	11.8	14.4	*-18.1*	*4.3*
EBIT	1,126	1,231	*830*	*891*
EBIT YoY %	8.4	9.3	*-32.6*	*7.4*
Net Income, Adjusted	494	534	*483*	*344*
Net Income YoY %	13.0	8.1	*-9.5*	*-28.7*
Diluted EPS	1.58	1.69	*1.50*	*1.06*
Diluted EPS YoY %	8.3	7.0	*-10.9*	*-29.2*
Free Cash Flow	-379	-602	*3,900*	*-118*
Free Cash Flow YoY %	-637.2	58.7	*-747.8*	*-103.0*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with 3.4 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. NiSource's electric utility transmits and distributes electricity in northern Indiana. The regulated electric utility also owns almost 3,300 MW of generation capacity, most of which is coal-fired. In 2014, the company generated 77% of the electricity it sold to customers.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
19.18 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2012	2013	2014	Forecast 2015	Forecast 2016	5-Year Proj. CAGR
Revenue	2.4	-15.9	11.8	14.4	-18.1	4.3	0.8
EBIT	10.1	12.7	8.4	9.3	-32.6	7.4	2.0
EBITDA	7.9	9.6	6.4	7.8	-25.6	6.9	2.0
Net Income	11.1	12.4	13.0	8.1	-9.5	-28.7	1.0
Diluted EPS	7.7	7.9	8.3	7.0	-10.9	-29.2	-0.3
Earnings Before Interest, after Tax	2.2	4.1	-1.0	3.6	-37.8	20.5	-2.4
Free Cash Flow	-434.6	339.3	-637.2	58.7	-747.8	-103.0	—

Profitability	3-Year Hist. Avg	2012	2013	2014	2015	2016	5-Year Proj. Avg
Operating Margin %	19.8	20.5	19.9	19.0	15.7	16.1	17.3
EBITDA Margin %	30.0	31.6	30.1	28.4	25.8	26.5	27.5
Net Margin %	8.5	8.6	8.7	8.3	9.1	6.2	7.4
Free Cash Flow Margin %	-4.9	1.4	-6.7	-9.3	73.6	-2.1	13.1
ROIC %	5.7	5.8	5.7	5.7	3.7	5.0	4.5
Adjusted ROIC %	7.2	7.4	7.1	7.0	4.6	6.4	5.7
Return on Assets %	2.2	2.0	2.4	2.2	2.1	1.6	1.9
Return on Equity %	8.7	7.9	9.3	8.8	7.7	5.3	6.5

Leverage	3-Year Hist. Avg	2012	2013	2014	2015	2016	5-Year Proj. Avg
Debt/Capital	0.60	0.59	0.60	0.62	0.51	0.52	0.53
Total Debt/EBITDA	5.23	5.06	5.19	5.45	4.90	4.93	4.77
EBITDA/Interest Expense	4.02	3.83	4.11	4.14	3.27	4.04	3.84

Valuation Summary and Forecasts

	2013	2014	2015(E)	2016(E)
Price/Fair Value	1.22	1.33	—	—
Price/Earnings	8.2	9.9	12.8	18.1
EV/EBITDA	7.3	8.2	11.0	10.3
EV/EBIT	11.1	12.2	18.2	16.9
Free Cash Flow Yield %	-11.2	-13.4	-1.8	-5.6
Dividend Yield %	7.6	6.1	4.4	3.4

Key Valuation Drivers

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	5.8
Long-Run Tax Rate %	35.0
Stage II EBI Growth Rate %	3.0
Stage II Investment Rate %	51.7
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	3,263	21.0	10.13
Present Value Stage II	2,912	18.7	9.04
Present Value Stage III	9,383	60.3	29.13
Total Firm Value	**15,557**	**100.0**	**48.29**
Cash and Equivalents	80	—	0.25
Debt	-9,999	—	-31.04
Preferred Stock	—	—	—
Other Adjustments	-470	—	-1.46
Equity Value	**5,168**	—	**16.04**
Projected Diluted Shares	322		
Fair Value per Share (USD)	—		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

NiSource Inc NI NYSE | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
19.18 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in December

				Forecast	
	2012	2013	2014	*2015*	*2016*
Revenue	**5,061**	**5,657**	**6,471**	***5,297***	***5,522***
Cost of Goods Sold	1,542	1,816	2,224	*2,258*	*2,345*
Gross Profit	**3,520**	**3,842**	**4,246**	***3,038***	***3,178***
Selling, General & Administrative Expenses	1,663	1,874	2,136	*1,416*	*1,459*
Other Operating Expense (Income)	288	301	320	*245*	*253*
Other Operating Expense (Income)	-32	-36	-47	*10*	*5*
Depreciation & Amortization (if reported separately)	562	577	606	*536*	*570*
Operating Income (ex charges)	**1,039**	**1,126**	**1,231**	***830***	***891***
Restructuring & Other Cash Charges	-4	-18	-32	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**1,043**	**1,143**	**1,262**	***830***	***891***
Interest Expense	418	415	444	*417*	*361*
Interest Income	2	24	22	—	—
Pre-Tax Income	**626**	**753**	**841**	***413***	***530***
Income Tax Expense	216	262	310	*144*	*185*
Other After-Tax Cash Gains (Losses)	6	6	-1	—	—
Other After-Tax Non-Cash Gains (Losses)	—	35	—	*215*	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**416**	**532**	**530**	***483***	***344***
Weighted Average Diluted Shares Outstanding	300	314	317	*322*	*324*
Diluted Earnings Per Share	**1.39**	**1.70**	**1.67**	***1.50***	***1.06***
Adjusted Net Income	437	494	534	*483*	*344*
Diluted Earnings Per Share (Adjusted)	**1.46**	**1.58**	**1.69**	***1.50***	***1.06***
Dividends Per Common Share	0.94	0.98	1.02	*0.83*	*0.64*
EBITDA	**1,605**	**1,721**	**1,868**	***1,367***	***1,461***
Adjusted EBITDA	**1,601**	**1,703**	**1,836**	***1,367***	***1,461***

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
19.18 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2012	2013	2014	Forecast 2015	Forecast 2016
Cash and Equivalents	83	35	50	*138*	*109*
Investments	—	—	—	—	—
Accounts Receivable	907	1,006	1,070	*871*	*908*
Inventory	496	500	616	*619*	*642*
Deferred Tax Assets (Current)	—	—	272	—	—
Other Short Term Assets	866	618	458	*500*	*500*
Current Assets	**2,352**	**2,159**	**2,467**	***2,127***	***2,159***
Net Property Plant, and Equipment	12,916	14,365	16,017	*14,152*	*14,940*
Goodwill	3,677	3,666	3,666	*3,529*	*3,529*
Other Intangibles	287	276	265	*265*	*265*
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,024	1,522	1,696	*500*	*500*
Long-Term Non-Operating Assets	588	666	755	*970*	*970*
Total Assets	**21,845**	**22,654**	**24,866**	***21,542***	***22,363***
Accounts Payable	539	619	671	*681*	*707*
Short-Term Debt	1,284	1,241	1,844	*1,000*	*1,000*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,479	1,319	1,441	*1,500*	*1,400*
Current Liabilities	**3,302**	**3,178**	**3,955**	***3,181***	***3,107***
Long-Term Debt	6,819	7,593	8,156	*5,700*	*6,200*
Deferred Tax Liabilities (Long-Term)	2,953	3,278	3,662	*3,500*	*3,704*
Other Long-Term Operating Liabilities	1,593	1,687	1,674	*1,500*	*1,523*
Long-Term Non-Operating Liabilities	1,623	1,031	1,245	*1,245*	*1,245*
Total Liabilities	**16,290**	**16,767**	**18,691**	***15,126***	***15,778***
Preferred Stock	—	—	—	—	—
Common Stock	3	3	3	*3*	*3*
Additional Paid-in Capital	4,598	4,690	4,788	*4,818*	*4,853*
Retained Earnings (Deficit)	1,060	1,286	1,494	*1,710*	*1,849*
(Treasury Stock)	-41	-49	-59	*-59*	*-59*
Other Equity	-66	-44	-51	*-56*	*-61*
Shareholder's Equity	**5,554**	**5,887**	**6,175**	***6,417***	***6,585***
Minority Interest	—	—	—	—	—
Total Equity	**5,554**	**5,887**	**6,175**	***6,417***	***6,585***

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
19.18 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

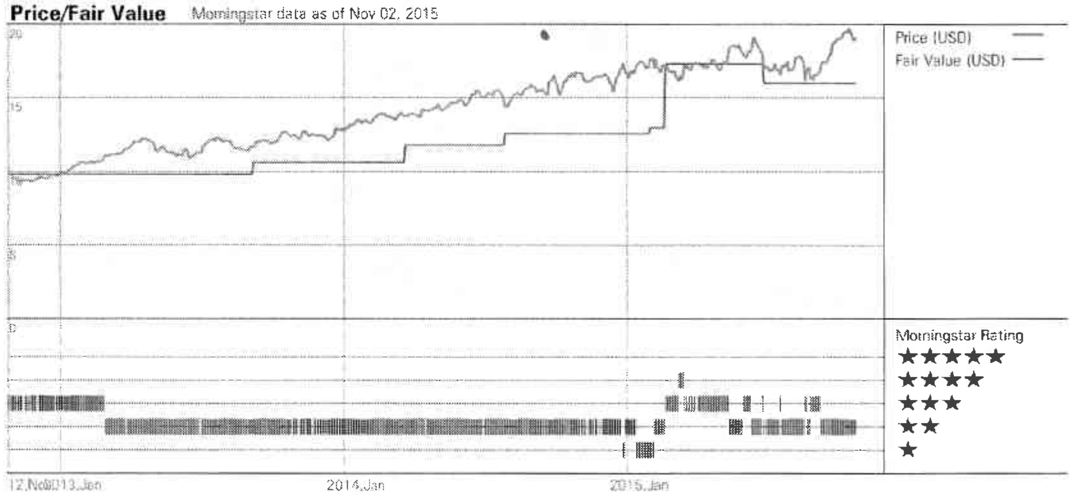
Cash Flow (USD Mil)

Fiscal Year Ends in December	2012	2013	2014	Forecast 2015	Forecast 2016
Net Income	416	532	530	*483*	*344*
Depreciation	562	577	606	*536*	*570*
Amortization	—	—	—	—	—
Stock-Based Compensation	45	51	72	*35*	*36*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	305	287	299	*111*	*204*
Other Non-Cash Adjustments	25	-65	-50	*-215*	—
(Increase) Decrease in Accounts Receivable	-51	-95	-63	*199*	*-37*
(Increase) Decrease in Inventory	62	-9	-120	*-3*	*-24*
Change in Other Short-Term Assets	-157	81	9	*-42*	—
Increase (Decrease) in Accounts Payable	57	68	38	*10*	*26*
Change in Other Short-Term Liabilities	—	—	—	*59*	*-100*
Cash From Operations	**1,264**	**1,427**	**1,321**	***1,175***	***1,020***
(Capital Expenditures)	-1,499	-1,880	-2,029	*-1,283*	*-1,358*
Net (Acquisitions), Asset Sales, and Disposals	26	18	13	*2,750*	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	51	-148	-101	*1,023*	*23*
Cash From Investing	**-1,422**	**-2,010**	**-2,117**	***2,489***	***-1,336***
Common Stock Issuance (or Repurchase)	374	36	20	*30*	*35*
Common Stock (Dividends)	-273	-306	-321	*-267*	*-206*
Short-Term Debt Issuance (or Retirement)	-582	-78	878	*-844*	—
Long-Term Debt Issuance (or Retirement)	656	794	219	*-2,456*	*500*
Other Financing Cash Flows	—	—	—	*-35*	*-36*
Cash From Financing	**175**	**445**	**796**	***-3,572***	***293***
Exchange Rates, Discontinued Ops, etc. (net)	8	129	-1	*-5*	*-5*
Net Change in Cash	**25**	**-10**	**-1**	***87***	***-28***

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
19.18 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Price/Fair Value Morningstar data as of Nov 02, 2015



Unless stated otherwise, this Research Report was prepared by the person(s) noted in their capacity as Equity Analysts employed by Morningstar, Inc., or one of its affiliates. This Report has not been made available to the issuer of the relevant financial products prior to publication.

The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic value. Five-star stocks sell for the biggest risk-adjusted discount whereas one-star stocks trade at premiums to their intrinsic value. Based on a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's Equity Analysts, four key components drive the Morningstar Rating: 1. Assessment of the firm's economic moat, 2. Estimate of the stock's fair value, 3. Uncertainty around that fair value estimate, and 4. Current market price. Further information on Morningstar's methodology is available from http://global.morningstar.com/equitydisclosures.

This Report is current as of the date on the Report until it is replaced, updated or withdrawn. This Report may be withdrawn or changed at any time as other information becomes available to us. This Report will be updated if events affecting the Report materially change.

Conflicts of Interest:

-No material interests are held by Morningstar or the Equity Analyst in the financial products that are the subject of the Reports.

-Equity Analysts are required to comply with the CFA Institute's Code of Ethics and Standards of Professional Conduct.

-Equity Analysts' compensation is derived from Morningstar's overall earnings and consists of salary, bonus and in some cases restricted stock.

-Equity Analysts do not have authority over Morningstar's investment management group's business arrangements nor allow employees from the investment management group to participate or influence the analysis or opinion prepared by them. Morningstar will not receive any direct benefit from the publication of this Report.

- Morningstar does not receive commissions for providing research and does not charge companies to be rated.

-Equity Analysts use publicly available information.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
19.18 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

-Morningstar may provide the product issuer or its related entities with services or products for a fee and on an arms' length basis including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship and website advertising.

-Further information on Morningstar's conflict of interest policies is available from http://global.morningstar.com/equitydisclosures.

If you wish to obtain further information regarding previous Reports and recommendations and our services, please contact your local Morningstar office.

Unless otherwise provided in a separate agreement, you may use this Report only in the country in which the Morningstar distributor is based. Unless stated otherwise, the original distributor of this document is Morningstar Inc. Redistribution, in any capacity, is prohibited without permission. The information, data, analyses and opinions presented herein do not constitute investment advice; are provided solely for informational purposes and therefore are not an offer to buy or sell a security; and are not warranted to be correct, complete or accurate, nor may they be construed as a representation regarding the legality of investing in the security/ies concerned, under the applicable investment or similar laws or regulations of any person or entity accessing this report. The opinions expressed are as of the date written and are subject to change without notice. Except as otherwise required by law, Morningstar, its affiliates, and their officers, directors and employees shall not be responsible or liable for any trading decisions, damages or other losses resulting from, or related to, the information, data, analyses or opinions or their use. You should seek the advice of your financial, legal, tax, business and/or other consultant, and read all relevant issue documents pertaining to the security/ies concerned, including without limitation, the detailed risks involved in the investment, before making an investment decision.

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. As the price / value / interest rate of a security fluctuates, the value of your investments in the said security, and in the income, if any, derived therefrom may go up or down.

For Recipients in Australia: This report has been authorized by the Head of Equity and Credit Research, Asia Pacific, Morningstar Australasia Pty Limited and is circulated pursuant to RG 79.26(f) as a full restatement of an original report (by the named Morningstar analyst) which has already been broadly distributed. To the extent the report contains general advice it has been prepared without reference to your objectives, financial situation or needs. You should consider the advice in light of these matters and, if applicable, the relevant Product Disclosure Statement before making any decision to invest. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/fsg.pdf.

For Recipients in Hong Kong: The research is distributed by Morningstar Investment Management Asia Limited, which is regulated by the Hong Kong Securities and Futures Commission to provide services to professional investors only. Neither Morningstar Investment Management Asia Limited, nor its representatives, are acting or will be deemed to be acting as an investment advisor to any recipients of this information unless expressly agreed to by Morningstar Investment Management Asia Limited. For enquiries regarding this research, please contact a Morningstar Investment Management Asia Limited Licensed Representative at http://global.morningstar.com/equitydisclosures.

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
19.18 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

For Recipients in India: This research on securities [as defined in clause (h) of Section 2 of the Securities Contracts (Regulation) Act, 1956], such research being referred to for the purpose of this document as "Investment Research", is issued by Morningstar Investment Adviser India Private Limited.

Morningstar Investment Adviser India Private Limited is registered with the Securities and Exchange Board of India under the SEBI (Investment Advisers) Regulations, 2013, vide Registration number INA000001357, dated March 27, 2014, and in compliance of the aforesaid regulations and the SEBI (Research Analysts) Regulations, 2014, it carries on the business activities of investment advice and research. Morningstar Investment Adviser India Private Limited has not been the subject of any disciplinary action by SEBI or any other legal/regulatory body. Morningstar Investment Adviser India Private Limited is a wholly owned subsidiary of Morningstar Associates LLC, which is a part of the Morningstar Investment Management group of Morningstar, Inc., and Morningstar, Inc. is a leading provider of independent investment research that offers an extensive line of products and services for individual investors, financial advisors, asset managers, and retirement plan providers and sponsors. In India, Morningstar Investment Adviser India Private Limited has only one associate, viz., Morningstar India Private Limited, and this company predominantly carries on the business activities of providing data input, data transmission and other data related services, financial data analysis, software development etc.

The author/creator of this Investment Research ("Research Analyst") or his/her associates or his/her relatives does/do not have (i) any financial interest in the subject company; (ii) any actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of this Investment Research; and (iii) any other material conflict of interest at the time of publication of this Investment Research.

The Research Analyst or his/her associates or his/her relatives has/have not received any (i) compensation from the subject company in the past twelve months; (ii) compensation for products or services from the subject company in the past twelve months; and (iii) compensation or other material benefits from the subject company or third party in connection with this Investment Research. Also, the Research Analyst has not served as an officer, director or employee of the subject company.

The terms and conditions on which Morningstar Investment Adviser India Private Limited offers Investment Research to clients, varies from client to client, and are spelt out in detail in the respective client agreement.

UBS | Global Research | 9 October 2015

NiSource Inc.
Adjusting Estimates to Reflect Spin-out

CPG Moved to Discontinued Operation
NiSource has moved Columbia Pipeline Group to discontinued operations post the July 2 spin-out of the pipeline transportation business into a separately traded company. As a result we are removing the earnings from 1H15 EPS.

Recent Regulatory Benefits to 2H15
Several regulatory settlements will benefit 3Q including a base rate case settlement in Massachusetts, which provides $32.8mm effective Nov 1, 2015 and additional $3.6mm effective Nov 1, 2016 (vs. $49.7mm requested). The settlement includes a tracker mechanism and allows NI to remain out of a rate case until 2018. A $46mm increase to support modernization investments was approved in Pennsylvania. A $25.2mm revenue increase in Virginia was approved.

Adjustments to Estimates:
We are lowering 2015 EPS estimates to $1.18 from $1.35 to account for the pipeline business moving to discontinued operations in 1H15 post July 2 spin-out. We have raised '16/'17 EPS estimates to $1.05/$1.14 from $1.00/$1.06 to account for recent regulatory settlements.

Valuation: Maintain $19PT and Buy Rating
We are maintaining our $19 sum-of-the-parts derived price target and Buy rating.

Equities

Americas
Gas Utilities

12-month rating	**Buy**
12m price target	**US$19.00**
Price	**US$19.09**

RIC: NI.N **BBG:** NI US

Trading data and key metrics

52-wk range	US$48.72-16.17
Market cap.	US$6.06bn
Shares o/s	318m (COM)
Free float	99%
Avg. daily volume ('000)	1,033
Avg. daily value (m)	US$17.9
Common s/h equity (12/15E)	US$7.41bn
P/BV (12/15E)	0.8x
Net debt / EBITDA (12/15E)	4.8x

EPS (UBS, diluted) (US$)

	12/15E			
	From	To	% ch	Cons.
Q1	0.85	0.55	-35	0.85
Q2	0.18	0.02	-86	0.18
Q3E	(0.12)	0.02	NM	0.02
Q4E	0.28	0.32	16	0.38
12/15E	1.18	0.92	-22	1.35
12/16E	1.00	1.05	6	1.06
12/17E	1.06	1.14	7	1.13

Shneur Z. Gershuni, CFA
Analyst
shneur.gershuni@ubs.com
+1-212-713 3974

Jennifer Hills
Associate Analyst
jennifer.hills@ubs.com
+1-212-713 2928

Highlights (US$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	5,085	5,657	6,485	5,025	5,239	5,415	5,593	5,779
EBIT (UBS)	1,068	1,168	1,277	840	940	995	1,051	1,109
Net earnings (UBS)	470	491	526	289	333	360	374	386
EPS (UBS, diluted) (US$)	1.57	1.57	1.66	0.92	1.05	1.14	1.18	1.21
DPS (US$)	0.95	0.99	1.03	1.04	1.08	1.12	1.16	1.20
Net (debt) / cash	(8,067)	(8,808)	(9,974)	(6,435)	(7,098)	(7,726)	(8,320)	(9,115)
Profitability/valuation	**12/12**	**12/13**	**12/14**	**12/15E**	**12/16E**	**12/17E**	**12/18E**	**12/19E**
EBIT margin %	21.0	20.6	19.7	16.7	17.9	18.4	18.8	19.2
ROIC (EBIT) %	9.0	9.2	9.3	6.4	7.6	7.6	7.7	7.6
EV/EBITDA (core) x	8.4	9.2	10.4	9.3	7.6	7.7	7.8	8.0
P/E (UBS, diluted) x	15.6	18.9	22.8	20.8	18.1	16.8	16.2	15.8
Equity FCF (UBS) yield %	(2.8)	(4.8)	(5.9)	2.7	(6.0)	(5.2)	(4.7)	(8.1)
Net dividend yield %	3.9	3.3	2.7	5.4	5.6	5.9	6.1	6.3

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$19.09 on 08 Oct 2015 19:38 EDT

www.ubs.com/investmentresearch

Forecast returns

Forecast price appreciation	-0.5%
Forecast dividend yield	5.6%
Forecast stock return	+5.1%
Market return assumption	5.6%
Forecast excess return	-0.5%

Statement of Risk

Risks include and are not limited to the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects; and ability to continue to reinvest in the businesses for growth.

Required Disclosures

This report has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

Analyst Certification: Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	49%	33%
Neutral	FSR is between -6% and 6% of the MRA.	40%	26%
Sell	FSR is > 6% below the MRA.	12%	18%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 30 September 2015.
1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES: UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with the NASD and NYSE and therefore are not subject to the restrictions contained in the NASD and NYSE rules on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

UBS Securities LLC: Shneur Z. Gershuni, CFA; Jennifer Hills.

Company Disclosures

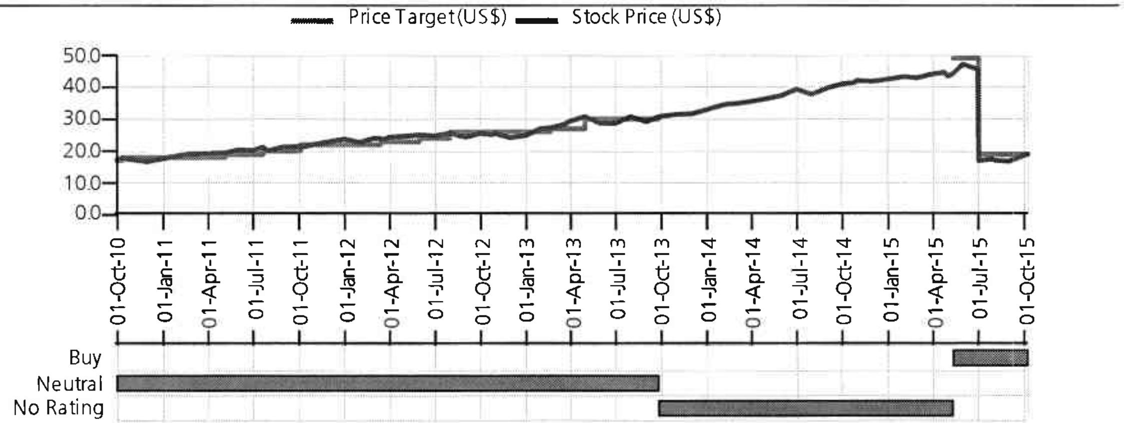
Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
NiSource Inc.[16]	NI.N	Buy	N/A	US$19.09	08 Oct 2015

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

NiSource Inc. (US$)



Source: UBS; as of 08 Oct 2015

Global Disclaimer

This document has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

Global Research is provided to our clients through UBS Neo, the UBS Client Portal and UBS.com (each a "System"). It may also be made available through third party vendors and distributed by UBS and/or third parties via e-mail or alternative electronic means. The level and types of services provided by Global Research to a client may vary depending upon various factors such as a client's individual preferences as to the frequency and manner of receiving communications, a client's risk profile and investment focus and perspective (e.g. market wide, sector specific, long-term, short-term, etc.), the size and scope of the overall client relationship with UBS and legal and regulatory constraints.

When you receive Global Research through a System, your access and/or use of such Global Research is subject to this Global Research Disclaimer and to the terms of use governing the applicable System.

When you receive Global Research via a third party vendor, e-mail or other electronic means, your use shall be subject to this Global Research Disclaimer and to UBS's Terms of Use/Disclaimer (http://www.ubs.com/global/en/legalinfo2/disclaimer.html). By accessing and/or using Global Research in this manner, you are indicating that you have read and agree to be bound by our Terms of Use/Disclaimer. In addition, you consent to UBS processing your personal data and using cookies in accordance with our Privacy Statement (http://www.ubs.com/global/en/legalinfo2/privacy.html) and cookie notice (http://www.ubs.com/global/en/homepage/cookies/cookie-management.html).

If you receive Global Research, whether through a System or by any other means, you agree that you shall not copy, revise, amend, create a derivative work, transfer to any third party, or in any way commercially exploit any UBS research provided via Global Research or otherwise, and that you shall not extract data from any research or estimates provided to you via Global Research or otherwise, without the prior written consent of UBS.

For access to all available Global Research on UBS Neo and the Client Portal, please contact your UBS sales representative.

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject UBS to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ('the Information'), except with respect to Information concerning UBS. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. UBS does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS. Any statements contained in this report attributed to a third party represent UBS's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates or other market conditions. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument referred to in the document. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither UBS nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by UBS or any other source may yield substantially different results.

This document and the Information are produced by UBS as part of its research function and are provided to you solely for general background information. UBS has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. In no circumstances may this document or any of the Information be used for any of the following purposes:

(i) valuation or accounting purposes;

(ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or

(iii) to measure the performance of any financial instrument.

By receiving this document and the Information you will be deemed to represent and warrant to UBS that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information.

Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this document is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this document. For financial instruments admitted to trading on a non-EU regulated market: UBS may act as a market maker save that where this activity is carried out in the US in accordance with the definition given to it by the relevant laws and regulations, such activity will be specifically disclosed in this document. UBS may have issued a warrant the value of which is based on one or more of the financial instruments referred to in the document. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein; such transactions or positions may be inconsistent with the opinions expressed in this document.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is distributed by UBS Limited to persons who are eligible counterparties or professional clients. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France S.A. UBS Securities France S.A. is regulated by the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this document, the document is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt fur Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Distributed by UBS Limited. No information in this document is provided for the purpose of offering, marketing and sale by any means of any capital market instruments and services in the Republic of Turkey. Therefore, this document may not be considered as an offer made or to be made to residents of the Republic of Turkey. UBS AG is not licensed by the Turkish Capital Market Board under the provisions of the Capital Market Law (Law No. 6362). Accordingly, neither this document nor any other offering material related to the instruments/services may be utilized in connection with providing any capital market services to persons within the Republic of Turkey without the prior approval of the Capital Market Board. However, according to article 15 (d) (ii) of the Decree No. 32, there is no restriction on the purchase or sale of the securities abroad by residents of the Republic of Turkey. **Poland:** Distributed by UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce regulated by the Polish Financial Supervision Authority. Where an analyst of UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce has contributed to this

document, the document is also deemed to have been prepared by UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce. **Russia:** Prepared and distributed by UBS Bank (OOO). **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. UBS AG is regulated by the Swiss Financial Market Supervisory Authority (FINMA). **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this document, the document is also deemed to have been prepared by UBS Italia Sim S.p.A. **South Africa:** Distributed by UBS South Africa (Pty) Limited (Registration No. 1995/011140/07), an authorised user of the JSE and an authorised Financial Services Provider (FSP 7328). **Israel:** This material is distributed by UBS Limited. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. UBS Securities Israel Ltd is a licensed Investment Marketer that is supervised by the Israel Securities Authority (ISA). UBS Limited and its affiliates incorporated outside Israel are not licensed under the Israeli Advisory Law. UBS Limited is not covered by insurance as required from a licensee under the Israeli Advisory Law. UBS may engage among others in issuance of Financial Assets or in distribution of Financial Assets of other issuers for fees or other benefits. UBS Limited and its affiliates may prefer various Financial Assets to which they have or may have Affiliation (as such term is defined under the Israeli Advisory Law). Nothing in this Material should be considered as investment advice under the Israeli Advisory Law. This Material is being issued only to and/or is directed only at persons who are Eligible Clients within the meaning of the Israeli Advisory Law, and this material must not be relied on or acted upon by any other persons. **Saudi Arabia:** This document has been issued by UBS AG (and/or any of its subsidiaries, branches or affiliates), a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich. This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority to conduct securities business under license number 08113-37. **Dubai:** The information distributed by UBS AG Dubai Branch is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG, or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a **'non-US affiliate'**) to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a document prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this document must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. UBS Securities LLC is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule"), and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule. **Canada:** Distributed by UBS Securities Canada Inc., a registered investment dealer in Canada and a Member-Canadian Investor Protection Fund, or by another affiliate of UBS AG that is registered to conduct business in Canada or is otherwise exempt from registration. **Brazil:** Except as otherwise specified herein, this material is prepared by UBS Brasil CCTVM S.A. to persons who are eligible investors residing in Brazil, which are considered to be: (i) financial institutions, (ii) insurance firms and investment capital companies, (iii) supplementary pension entities, (iv) entities that hold financial investments higher than R$300,000.00 and that confirm the status of qualified investors in written, (v) investment funds, (vi) securities portfolio managers and securities consultants duly authorized by Comissão de Valores Mobiliários (CVM), regarding their own investments, and (vii) social security systems created by the Federal Government, States, and Municipalities. **Hong Kong:** Distributed by UBS Securities Asia Limited and/or UBS AG, Hong Kong Branch. **Singapore:** Distributed by UBS Securities Pte. Ltd. [MCI (P) 018/09/2015 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte. Ltd., an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110); or UBS AG, Singapore Branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or document. The recipients of this document represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **Japan:** Distributed by UBS Securities Japan Co., Ltd. to professional investors (except as otherwise permitted). Where this document has been prepared by UBS Securities Japan Co., Ltd., UBS Securities Japan Co., Ltd. is the author, publisher and distributor of the document. Distributed by UBS AG, Tokyo Branch to Professional Investors (except as otherwise permitted) in relation to foreign exchange and other banking businesses when relevant. **Australia:** Clients of UBS AG: Distributed by UBS AG (Holder of Australian Financial Services License No. 231087). Clients of UBS Securities Australia Ltd: Distributed by UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098). Clients of UBS Wealth Management Australia Ltd: Distributed by UBS Wealth Management Australia Ltd (Holder of Australian Financial Services Licence No. 231127). This Document contains general information and/or general advice only and does not constitute personal financial product advice. As such, the Information in this document has been prepared without taking into account any investor's objectives, financial situation or needs, and investors should, before acting on the Information, consider the appropriateness of the Information, having regard to their objectives, financial situation and needs. If the Information contained in this document relates to the acquisition, or potential acquisition of a particular financial product by a 'Retail' client as defined by section 761G of the Corporations Act 2001 where a Product Disclosure Statement would be required, the retail client should obtain and consider the Product Disclosure Statement relating to the product before making any decision about whether to acquire the product. The UBS Securities Australia Limited Financial Services Guide is available at: www.ubs.com/ecs-research-fsg. **New Zealand:** Distributed by UBS New Zealand Ltd. The information and recommendations in this publication are provided for general information purposes only. To the extent that any such information or recommendations constitute financial advice, they do not take into account any person's particular financial situation or goals. We recommend that recipients seek advice specific to their circumstances from their financial advisor. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This document may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (Capital Markets Services License No.: CMSL/A0063/2007). This material is intended for professional/institutional clients only and not for distribution to any retail clients. **India:** Prepared by UBS Securities India Private Ltd. (Corporate Identity Number U67120MH1996PTC097299) 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000. It provides brokerage services bearing SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, NSE (Currency Derivatives Segment) INE230951431, BSE (Capital Market Segment) INB010951437; merchant banking services bearing SEBI Registration Number: INM000010809 and Research Analyst services bearing SEBI Registration Number: INH000001204. UBS AG, its affiliates or subsidiaries may have debt holdings or positions in the subject Indian company/companies. Within the past 12 months, UBS AG, its affiliates or subsidiaries may have received compensation for non-investment banking securities-related services and/or non-securities services from the subject Indian company/companies. The subject company/companies may have been a client/clients of UBS AG, its affiliates or subsidiaries during the 12 months preceding the date of distribution of the research report with respect to investment banking and/or non-investment banking securities-related services and/or non-securities services. With regard to information on associates, please refer to the Annual Report at: http://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting.html

The disclosures contained in research documents produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS

UBS | Global Research | 3 November 2015

NiSource Inc.
Stronger Than Expected Out of the Gate

Equities
Americas
Gas Utilities

12-month rating	Buy
12m price target	US$21.00
	Prior: US$19.00
Price	US$19.12

RIC: NI.N **BBG:** NI US

Trading data and key metrics	
52-wk range	US$48.72-16.17
Market cap.	US$6.08bn
Shares o/s	318m (COM)
Free float	99%
Avg. daily volume ('000)	912
Avg. daily value (m)	US$16.3
Common s/h equity (12/15E)	US$3.81bn
P/BV (12/15E)	1.6x
Net debt / EBITDA (12/15E)	5.1x

EPS (UBS, diluted) (US$)

	12/15E			
	From	To	% ch	Cons.
Q1	0.55	0.55	0	0.85
Q2	0.02	0.02	0	0.18
Q3	0.02	0.05	NM	0.02
Q4E	0.32	0.34	4	0.33
12/15E	0.92	0.95	4	1.37
12/16E	1.05	1.08	3	1.06
12/17E	1.14	1.14	0	1.13

Shneur Z. Gershuni, CFA
Analyst
shneur.gershuni@ubs.com
+1-212-713 3974

Jennifer Hills
Analyst
jennifer.hills@ubs.com
+1-212-713 2928

Positive Regulatory Update

NI reported stronger than expected results its first quarter as a stand-alone utility company following the July 1st spinoff of CPG. There were several important regulatory updates in 3Q including a rate case settlement at Columbia Gas of Massachusetts, which implemented an authorized $32.8mm rate increase on November 1st with an additional rate increase of $3.6mm approved to start November 2016. Columbia Gas of Pennsylvania filed a rate case settlement for a $28mm annual revenue increase with a decision expected by year end and NIPSCO Gas filed its semi-annual tracker case for the remaining five of the seven year $817mm modernization program. NIPSCO Electric filed a base rate case on October 1st for a $148mm annual revenue increase and is expecting to file a new seven year infrastructure modernization plan by early next year. Additionally, NIPSCO's two electric transmission enhancement projects totalling $500mm in investment (Reynolds to Topeka and Greentown to Reynolds) are on track and anticipated to be in service by the end of 2018.

Low Expenses Drive Beat

NI reported 2Q15 Adj. EBITDA of $242.2mm, which was 5.2% higher than UBSe of $230.3mm. This was driven primarily by cost of sales of $209.1mm which was 23.9% below UBSe of $274.7 and O&M expenses of $311.1mm which were 10.5% lower than UBSe of $347.7mm. Excluding a $19.7mm loss from discontinued operations, net income of $14.8mm was ~121% above UBSe of $6.7mm. The Dividend was $0.31 per share which was 19.2% higher than UBSe of $0.26.

Raising Estimates

We are maintaining '15 EBITDAe of $1,341mm & are raising '16/'17 EBITDAe to $1,448mm/$1,508mm from $1,445mm/$1,506mm to carry through 3Q earnings. As a result of higher EBTDA & lower than expected interest expense we are raising '15/'16 EPUe to $0.95/$1.08 from $0.92/$1.05. '17 EPUe is unchanged at $1.14.

Valuation: Raising PT to $21 from $19, maintain Buy Rating

We are raising our sum-of-the-parts derived price target to $21 from $19 to reflect the stronger earnings and the rolling of the model forward to 2016. We maintain our Buy rating.

Highlights (US$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	5,085	5,657	6,485	4,929	5,353	5,402	5,579	5,765
EBIT (UBS)	1,068	1,168	1,277	828	931	967	1,023	1,080
Net earnings (UBS)	470	491	526	303	349	367	396	407
EPS (UBS, diluted) (US$)	1.57	1.57	1.66	0.95	1.08	1.14	1.22	1.27
DPS (US$)	0.95	0.99	1.03	1.14	1.28	1.32	1.36	1.40
Net (debt) / cash	(8,067)	(8,808)	(9,974)	(6,851)	(7,619)	(8,354)	(9,038)	(9,853)

Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	21.0	20.6	19.7	16.8	17.4	17.9	18.3	18.7
ROIC (EBIT) %	9.0	9.2	9.3	6.9	9.4	9.1	9.0	8.9
EV/EBITDA (core) x	8.4	9.2	10.4	10.0	8.4	8.6	8.7	8.8
P/E (UBS, diluted) x	15.6	18.9	22.8	20.1	17.6	16.8	15.7	15.0
Equity FCF (UBS) yield %	(2.8)	(4.8)	(5.9)	2.7	(6.5)	(5.7)	(5.0)	(7.2)
Net dividend yield %	3.9	3.3	2.7	6.0	6.7	6.9	7.1	7.3

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$19.12 on 03 Nov 2015 18:41 EST

Figure 1: 3Q15 Earnings Variance

$ in millions	Actual 3Q15	UBSe 3Q15e	% variance	Actual 3Q14	YoY % change
Operating Data					
Customers (000)					
Gas Utilities Customers	3,343.2	3,339.2	0.1%	3,319.9	0.7%
Electric Customers	461.4	461.7	(0.1%)	459.2	0.5%
Financial Data					
Revenues	$817.2	$912.7	(10.5%)	$1,137.4	(28.2%)
Expenses					
Cost of Sales	($209.1)	($274.7)	(23.9%)	($230.5)	(9.3%)
Operating & Maintenance Expenses	($311.1)	($347.7)	(10.5%)	($529.5)	(41.2%)
Depreciation & Amortization	($132.5)	($121.7)	8.9%	($153.0)	(13.4%)
Total Expenses	($707.5)	($797.9)	(11.3%)	($966.1)	(26.8%)
Operating income	$98.5	$98.7	(0.3%)	$90.2	9.2%
Adj. EBITDA	$242.2	$230.3	5.2%	$324.3	(25.3%)
Interest Expense	($94.9)	($97.8)	(3.0%)	($109.6)	(13.4%)
Other Expenses	$5.8	$0.0	NM	$9.2	(37.0%)
Net Income	$14.8	$6.7	120.6%	$45.0	(67.1%)
EPS	$0.05	$0.02	116.2%	$0.14	(67.6%)
Dividend Per Share	$0.310	$0.260	19.2%	$0.260	19.2%
Segment Operating Income					
Gas Distribution	$20.0	$16.1	24.6%	$1.0	1900.0%
Electric Operations	$98.5	$98.7	(0.3%)	$90.2	9.2%
Corporate & Eliminations	($8.8)	($6.3)	40.8%	($14.3)	(38.5%)
Total	$109.7	$108.6	1.1%	$171.3	(36.0%)

Source: UBSe, Company Reports

Forecast returns

Forecast price appreciation	+9.8%
Forecast dividend yield	6.7%
Forecast stock return	+16.5%
Market return assumption	5.8%
Forecast excess return	+10.7%

Statement of Risk

Risks include and are not limited to the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects; and ability to continue to reinvest in the businesses for growth.

Required Disclosures

This report has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

Analyst Certification: Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	49%	33%
Neutral	FSR is between -6% and 6% of the MRA.	40%	26%
Sell	FSR is > 6% below the MRA.	12%	18%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 30 September 2015.
1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES: UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with the NASD and NYSE and therefore are not subject to the restrictions contained in the NASD and NYSE rules on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

UBS Securities LLC: Shneur Z. Gershuni, CFA; Jennifer Hills.

Company Disclosures

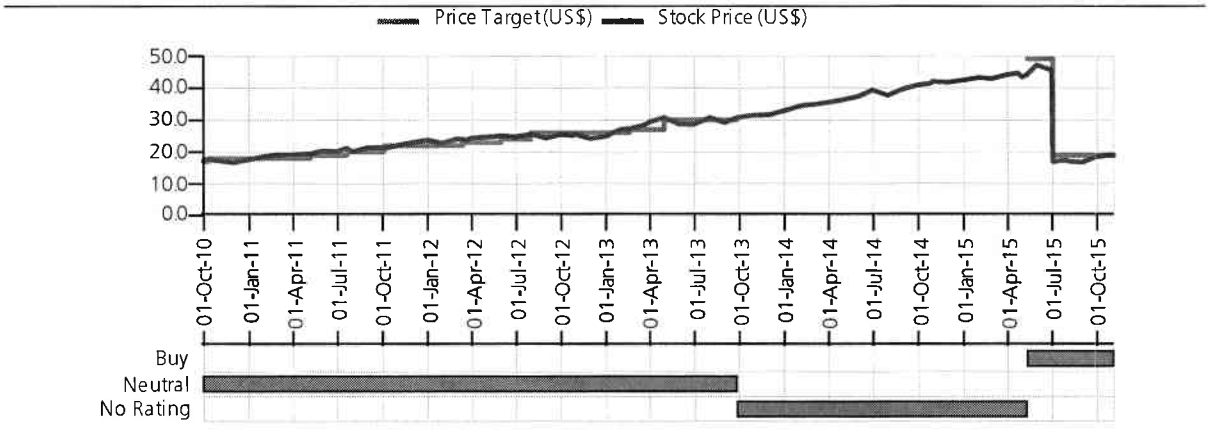
Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
NiSource Inc.[16]	NI.N	Buy	N/A	US$19.12	03 Nov 2015

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

NiSource Inc. (US$)



Source: UBS; as of 03 Nov 2015

Global Disclaimer

This document has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

Global Research is provided to our clients through UBS Neo, the UBS Client Portal and UBS.com (each a "System"). It may also be made available through third party vendors and distributed by UBS and/or third parties via e-mail or alternative electronic means. The level and types of services provided by Global Research to a client may vary depending upon various factors such as a client's individual preferences as to the frequency and manner of receiving communications, a client's risk profile and investment focus and perspective (e.g. market wide, sector specific, long-term, short-term, etc.), the size and scope of the overall client relationship with UBS and legal and regulatory constraints.

When you receive Global Research through a System, your access and/or use of such Global Research is subject to this Global Research Disclaimer and to the terms of use governing the applicable System.

When you receive Global Research via a third party vendor, e-mail or other electronic means, your use shall be subject to this Global Research Disclaimer and to UBS's Terms of Use/Disclaimer (http://www.ubs.com/global/en/legalinfo2/disclaimer.html). By accessing and/or using Global Research in this manner, you are indicating that you have read and agree to be bound by our Terms of Use/Disclaimer. In addition, you consent to UBS processing your personal data and using cookies in accordance with our Privacy Statement (http://www.ubs.com/global/en/legalinfo2/privacy.html) and cookie notice (http://www.ubs.com/global/en/homepage/cookies/cookie-management.html).

If you receive Global Research, whether through a System or by any other means, you agree that you shall not copy, revise, amend, create a derivative work, transfer to any third party, or in any way commercially exploit any UBS research provided via Global Research or otherwise, and that you shall not extract data from any research or estimates provided to you via Global Research or otherwise, without the prior written consent of UBS.

For access to all available Global Research on UBS Neo and the Client Portal, please contact your UBS sales representative.

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject UBS to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ('the Information'), except with respect to Information concerning UBS. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. UBS does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS. Any statements contained in this report attributed to a third party represent UBS's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates or other market conditions. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument referred to in the document. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither UBS nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by UBS or any other source may yield substantially different results.

This document and the Information are produced by UBS as part of its research function and are provided to you solely for general background information. UBS has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. In no circumstances may this document or any of the Information be used for any of the following purposes:

(i) valuation or accounting purposes;

(ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or

(iii) to measure the performance of any financial instrument.

By receiving this document and the Information you will be deemed to represent and warrant to UBS that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information.

Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this document is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this document. For financial instruments admitted to trading on a non-EU regulated market: UBS may act as a market maker save that where this activity is carried out in the US in accordance with the definition given to it by the relevant laws and regulations, such activity will be specifically disclosed in this document. UBS may have issued a warrant the value of which is based on one or more of the financial instruments referred to in the document. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein; such transactions or positions may be inconsistent with the opinions expressed in this document.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is distributed by UBS Limited to persons who are eligible counterparties or professional clients. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France S.A. UBS Securities France S.A. is regulated by the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this document, the document is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt fur Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Distributed by UBS Limited. No information in this document is provided for the purpose of offering, marketing and sale by any means of any capital market instruments and services in the Republic of Turkey. Therefore, this document may not be considered as an offer made or to be made to residents of the Republic of Turkey. UBS AG is not licensed by the Turkish Capital Market Board under the provisions of the Capital Market Law (Law No. 6362). Accordingly, neither this document nor any other offering material related to the instruments/services may be utilized in connection with providing any capital market services to persons within the Republic of Turkey without the prior approval of the Capital Market Board. However, according to article 15 (d) (ii) of the Decree No. 32, there is no restriction on the purchase or sale of the securities abroad by residents of the Republic of Turkey. **Poland:** Distributed by UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce regulated by the Polish Financial Supervision Authority. Where an analyst of UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce has contributed to this

document, the document is also deemed to have been prepared by UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce. **Russia:** Prepared and distributed by UBS Bank (OOO). **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. UBS AG is regulated by the Swiss Financial Market Supervisory Authority (FINMA). **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this document, the document is also deemed to have been prepared by UBS Italia Sim S.p.A. **South Africa:** Distributed by UBS South Africa (Pty) Limited (Registration No. 1995/011140/07), an authorised user of the JSE and an authorised Financial Services Provider (FSP 7328). **Israel:** This material is distributed by UBS Limited. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. UBS Securities Israel Ltd is a licensed Investment Marketer that is supervised by the Israel Securities Authority (ISA). UBS Limited and its affiliates incorporated outside Israel are not licensed under the Israeli Advisory Law. UBS Limited is not covered by insurance as required from a licensee under the Israeli Advisory Law. UBS may engage among others in issuance of Financial Assets or in distribution of Financial Assets of other issuers for fees or other benefits. UBS Limited and its affiliates may prefer various Financial Assets to which they have or may have Affiliation (as such term is defined under the Israeli Advisory Law). Nothing in this Material should be considered as investment advice under the Israeli Advisory Law. This Material is being issued only to and/or is directed only at persons who are Eligible Clients within the meaning of the Israeli Advisory Law, and this material must not be relied on or acted upon by any other persons. **Saudi Arabia:** This document has been issued by UBS AG (and/or any of its subsidiaries, branches or affiliates), a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich. This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority to conduct securities business under license number 08113-37. **Dubai:** The information distributed by UBS AG Dubai Branch is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a **'non-US affiliate'**) to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a document prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this document must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. UBS Securities LLC is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule"), and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule. **Canada:** Distributed by UBS Securities Canada Inc., a registered investment dealer in Canada and a Member-Canadian Investor Protection Fund, or by another affiliate of UBS AG that is registered to conduct business in Canada or is otherwise exempt from registration. **Brazil:** Except as otherwise specified herein, this material is prepared by UBS Brasil CCTVM S.A. to persons who are eligible investors residing in Brazil, which are considered to be: (i) financial institutions, (ii) insurance firms and investment capital companies, (iii) supplementary pension entities, (iv) entities that hold financial investments higher than R$300,000.00 and that confirm the status of qualified investors in written, (v) investment funds, (vi) securities portfolio managers and securities consultants duly authorized by Comissão de Valores Mobiliários (CVM), regarding their own investments, and (vii) social security systems created by the Federal Government, States, and Municipalities. **Hong Kong:** Distributed by UBS Securities Asia Limited and/or UBS AG, Hong Kong Branch. **Singapore:** Distributed by UBS Securities Pte. Ltd. [MCI (P) 018/09/2015 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte. Ltd., an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110); or UBS AG, Singapore Branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or document. The recipients of this document represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **Japan:** Distributed by UBS Securities Japan Co., Ltd. to professional investors (except as otherwise permitted). Where this document has been prepared by UBS Securities Japan Co., Ltd., UBS Securities Japan Co., Ltd. is the author, publisher and distributor of the document. Distributed by UBS AG, Tokyo Branch to Professional Investors (except as otherwise permitted) in relation to foreign exchange and other banking businesses when relevant. **Australia:** Clients of UBS AG: Distributed by UBS AG (Holder of Australian Financial Services License No. 231087). Clients of UBS Securities Australia Ltd: Distributed by UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098). Clients of UBS Wealth Management Australia Ltd: Distributed by UBS Wealth Management Australia Ltd (Holder of Australian Financial Services Licence No. 231127). This Document contains general information and/or general advice only and does not constitute personal financial product advice. As such, the Information in this document has been prepared without taking into account any investor's objectives, financial situation or needs, and investors should, before acting on the Information, consider the appropriateness of the Information, having regard to their objectives, financial situation and needs. If the Information contained in this document relates to the acquisition, or potential acquisition of a particular financial product by a 'Retail' client as defined by section 761G of the Corporations Act 2001 where a Product Disclosure Statement would be required, the retail client should obtain and consider the Product Disclosure Statement relating to the product before making any decision about whether to acquire the product. The UBS Securities Australia Limited Financial Services Guide is available at: www.ubs.com/ecs-research-fsg. **New Zealand:** Distributed by UBS New Zealand Ltd. The information and recommendations in this publication are provided for general information purposes only. To the extent that any such information or recommendations constitute financial advice, they do not take into account any person's particular financial situation or goals. We recommend that recipients seek advice specific to their circumstances from their financial advisor. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This document may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (Capital Markets Services License No.: CMSL/A0063/2007). This material is intended for professional/institutional clients only and not for distribution to any retail clients. **India:** Prepared by UBS Securities India Private Ltd. (Corporate Identity Number U67120MH1996PTC097299) 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000. It provides brokerage services bearing SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, NSE (Currency Derivatives Segment) INE230951431, BSE (Capital Market Segment) INB010951437; merchant banking services bearing SEBI Registration Number: INM000010809 and Research Analyst services bearing SEBI Registration Number: INH000001204. UBS AG, its affiliates or subsidiaries may have debt holdings or positions in the subject Indian company/companies. Within the past 12 months, UBS AG, its affiliates or subsidiaries may have received compensation for non-investment banking securities-related services and/or non-securities services from the subject Indian company/companies. The subject company/companies may have been a client/clients of UBS AG, its affiliates or subsidiaries during the 12 months preceding the date of distribution of the research report with respect to investment banking and/or non-investment banking securities-related services and/or non-securities services. With regard to information on associates, please refer to the Annual Report at: http://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting.html

The disclosures contained in research documents produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS

WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Weight
Integrateds – Market Weight

November 4, 2015

NISOURCE INC.

(NI US Equity – $ 19.36 – Outperform)

NI-ce way to start on their own

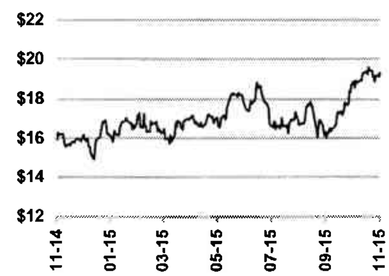
- **First quarter separated from the pipeline a solid one**
NiSource had a solid first full quarter separated from the pipeline operations, beating numbers and reiterating 2016 EPS guidance of $1.00-$1.10. We believe execution on the targets should remain the main priority for the new management team. That said we continue to see the potential for higher growth over time as investment plans are further developed and NI optimizes the cost structure. NI remains a high-quality gas and electric distribution with a long-dated $30B rate base investment backlog with most of the growth supported by trackers. The stock has traded closer to the LDCs but we still see EPS and valuation upside over time. Outperform.

- **Indiana rate case will be a focus in 2016 but case should go well**
The Indiana electric rate case was filed in September and it is the main open regulatory proceeding. NI is requesting a $148M base rate increase with a 10.75% ROE. Intervenor testimony is due early next year, with a decision set to come in the late summer of 2016. We believe the main drivers of the rate increase – environmental upgrades and reliability investment - are largely understood, but rate design issues may be more contentious.

- **Q3 beats, no change to estimates. Boosting TP to $20 from $19**
NI reported Q3 operating EPS of $0.06 vs. a ($0.03) loss last year excluding the pipelines, beating our $0.03E and the $0.05 consensus. The quarter was higher on both the gas and electric side mainly only more normal weather and increased investment. We are maintaining our EPS estimates but are raising our target price to $20 from $19. This uses a 17.5x P/E multiple, a small discount to the LDC average (ex-PNY). NI has a greater proportion of electric assets than the other LDCs but we regard its growth prospects and regulatory constructs as above average.

Trading and Fundamental Data	
Target Price	**$ 20**
Current Price	$ 19.36
52 Week Range	$ 15 - $ 20
Market Cap. ($MM)	$ 6023
Share Out. (MM)	317.6
Dividend Yield	3.20%
Dividend Payout Ratio	61.2%
ROE	9.2%
Debt to Cap	61.8%
Avg Daily Vol (ooo)	2011

Price Performance	YTD	LTM
NI US Equity	22%	22%
Utility Index	-9%	-5%
S&P 500	2%	4%



Source: Bloomberg/Wolfe Research

Estimates / Valuation				
(US$)	**2015E**	**2016E**	**2017E**	**2018E**
EPS	$1.04	$1.08	$1.14	$1.21
Consensus	NA	$1.07	$1.13	$1.21
P/E	18.7x	17.9x	16.9x	16.0x
Dividend Per Share	$0.62	$0.65	$0.68	$0.72
Dividend Yield	3.2%	3.4%	3.5%	3.7%

Steven Fleishman
(646) 582-9241
SFleishman@WolfeResearch.com

Alex Kania
(646) 582-9244
AKania@WolfeResearch.com

WOLFE RESEARCH

NiSource Inc.

November 4, 2015

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2015E	2016E	2017E	2018E
EPS	$1.04	$1.08	$1.14	$1.21
Diluted Shares Outstanding	318	319	320	321
Dividends Per Share	$0.62	$0.65	$0.68	$0.72
Dividend Yield	3.2%	3.4%	3.5%	3.7%
Dividend Payout Ratio	60%	60%	60%	59%
Equity Ratio	32%	32%	32%	33%
FFO/Net Debt	18%	17%	16%	17%
Valuation Metrics				
P/E	18.7x	17.9x	16.9x	16.0x
Price/Book	2.1x	2.0x	1.8x	1.7x
Segment EPS				
Gas Distribution	$0.88	$0.93	$1.00	$1.05
Electric	0.45	0.47	0.50	0.52
Parent & Other	(0.30)	(0.32)	(0.35)	(0.36)
Total EPS	**$1.04**	**$1.08**	**$1.14**	**$1.21**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2015E	2016E	2017E	2018E
Total Capital Spending by Segment ($M)				
Gas Distribution	$790	$760	$730	$730
Electric	593	593	593	593
Parent	50	50	50	50
Total Capex	**$1,433**	**$1,403**	**$1,373**	**$1,373**
Financings ($M)				
Total Equity Issued/(Repurchased)	$45	$45	$45	$45
Total Debt Issued/(Repurchased)	$558	$681	$605	$170

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates two separate business lines: electric utility and gas distribution LDCs. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.4 million customers in Indiana, Ohio, Pennsylvania, Kentucky, Virginia, and Massachusetts

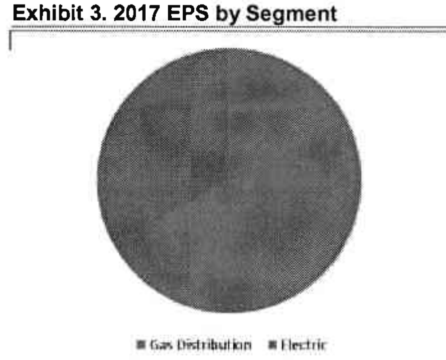
Investment Thesis

We see above-average rate base and earnings growth potential for NiSource relative to other electric and natural gas distribution utilities. NI has a $30B backlog of investment with recovery largely through trackers and balanced regulatory environments. Additionally, we see the gas business getting larger over time. NI appears attractive at current levels.

Valuation

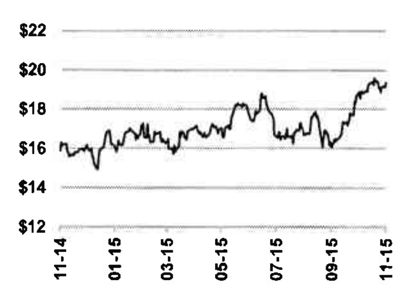
Our $20 price target is on a target P/E valuation. We apply a 17.5x multiple to 2017E earnings, in line with higher quality gas LDCs. Downside risks for NiSource are execution on rate base investment, economic conditions and regulatory outcomes. Upside risks are additional growth projects.

Exhibit 3. 2017 EPS by Segment



Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart



Source: Bloomberg

Exhibit 5: LDC gas comparables

Company Name	Ticker	Current Price	Mkt Cap ($M)	P/E Multiple 2015E	2016E	2017E	2017E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
AGL Resources Inc	GAS	$62.77	$7,537	21.1x	20.5x	19.9x	NA	3.3%	6.5%	69%	1.9x	43%
Atmos Energy Corp	ATO	63.11	6,397	20.5	19.4	18.4	16.9	2.5%	6.2%	51%	2.0	54%
Southwest Gas Corp	SWX	61.47	2,893	19.9	18.4	17.3	16.3	2.6%	4.5%	52%	1.9	48%
WGL Holdings Inc	WGL	62.16	3,091	20.5	20.3	18.7	NA	3.0%	3.6%	61%	2.4	53%
One Gas	OGS	48.60	2,535	22.3	20.7	19.1	NA	2.5%	5.0%	55%	1.4	59%
Piedmont Natural Gas Co Inc	PNY	57.52	4,556	30.8	29.0	27.4	25.7	2.3%	5.5%	71%	3.2	42%
NiSource	NI	19.27	6,141	18.7	17.8	16.8	15.9	3.2%	5.0%	60%	1.6	38%
Questar Corp	STR	20.85	3,664	16.4	15.7	15.3	15.6	4.0%	4.5%	66%	2.8	43%
New Jersey Resources Corp	NJR	31.66	2,707	18.1	18.7	16.8	NA	3.0%	5.5%	55%	2.4	51%
Northwest Natural Gas Co	NWN	47.74	1,307	21.6	20.9	19.3	18.7	3.9%	0.5%	85%	1.7	46%
UGI Corp	UGI	37.34	6,452	19.2	17.3	16.7	NA	2.4%	8.0%	47%	2.3	50%
Laclede Group Inc/The	LG	58.32	2,527	18.2	17.3	16.7	NA	3.2%	4.9%	58%	1.6	41%
Vectren Corp	VVC	45.79	3,785	18.7	17.5	16.5	NA	3.3%	5.5%	62%	2.3	48%
Average (ex-PNY)				**19.7x**	**18.8x**	**17.7x**	**16.9x**	**3.0%**	**5.0%**	**61%**	**2.1x**	**47%**

Source: Wolfe Research, Bloomberg consensus

WOLFE RESEARCH

NiSource Inc.

November 4, 2015

DISCLOSURE SECTION

Analyst Certification:

The analyst of Wolfe Research, LLC primarily responsible for this research report whose name appears first on the front page of this research report hereby certifies that (i) the recommendations and opinions expressed in this research report accurately reflect the research analysts' personal views about the subject securities or issuers and (ii) no part of the research analysts' compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this report.

Important Disclosures:

Price Chart with Ratings and Target Price History

Note: OP = Outperform; PP = Peer Perform; UP = Underperform

Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NI US Equity	Forward P/E

Wolfe Research, LLC Fundamental Target Price Risks:

Company:	Fundamental Target Price Risks:
NI US Equity	Economy, regulatory outcomes, project execution

Wolfe Research, LLC Research Disclosures:

Company:	Research Disclosures:
NI US Equity	None

Other Disclosures:

Wolfe Research, LLC Fundamental Stock Ratings Key:

Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.

Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
Underperform (UP):	The security is projected to underperform analyst's industry coverage universe over the next 12 months.

Wolfe Research, LLC uses a relative rating system using terms such as Outperform, Peer Perform and Underperform (see definitions above). Please carefully read the definitions of all ratings used in Wolfe Research, LLC research. In addition, since Wolfe Research, LLC research contains more complete information concerning the analyst's views, please carefully read Wolfe Research, LLC research in its entirety and not infer the contents from the ratings alone. In all cases, ratings (or research) should not be used or relied upon as investment advice and any investment decisions should be based upon individual circumstances and other considerations.

Wolfe Research, LLC Sector Weighting System:

Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

Wolfe Research, LLC Distribution of Fundamental Stock Ratings (As of September 30, 2015):

Outperform:	41%	1% Investment Banking Clients
Peer Perform:	49%	2% Investment Banking Clients
Underperform:	10%	0% Investment Banking Clients

Wolfe Research, LLC does not assign ratings of Buy, Hold or Sell to the stocks it covers. Outperform, Peer Perform and Underperform are not the respective equivalents of Buy, Hold and Sell but represent relative weightings as defined above. To satisfy regulatory requirements, Outperform has been designated to correspond with Buy, Peer Perform has been designated to correspond with Hold and Underperform has been designated to correspond with Sell.

Wolfe Research Securities and Wolfe Research, LLC have adopted the use of Wolfe Research as brand names. Wolfe Research Securities, a member of FINRA (www.finra.org) is the broker-dealer affiliate of Wolfe Research, LLC and is responsible for the contents of this material. Any analysts publishing these reports are dually employed by Wolfe Research, LLC and Wolfe Research Securities.

The content of this report is to be used solely for informational purposes and should not be regarded as an offer, or a solicitation of an offer, to buy or sell a security, financial instrument or service discussed herein. Opinions in this communication constitute the current judgment of the author as of the date and time of this report and are subject to change without notice. Information herein is believed to be reliable but Wolfe Research and its affiliates, including but not limited to Wolfe Research Securities, makes no representation that it is complete or accurate. The information provided in this communication is not designed to replace a recipient's own decision-making processes for assessing a proposed transaction or investment involving a financial instrument discussed herein. Recipients are encouraged to seek financial advice from their financial advisor regarding the appropriateness of investing in a security or financial instrument referred to in this report and should understand that statements regarding the future performance of the financial instruments or the securities referenced herein may not be realized. Past performance is not indicative of future results. This report is not intended for distribution to, or use by, any person or entity in any location where such distribution or use would be contrary to applicable law, or which would subject Wolfe Research, LLC or any affiliate to any registration requirement within such location. For additional important disclosures, please see www.WolfeResearch.com/Disclosures.

The views expressed in Wolfe Research, LLC research reports with regards to sectors and/or specific companies may from time to time be inconsistent with the views implied by inclusion of those sectors and companies in other Wolfe Research, LLC analysts' research reports and modeling screens. Wolfe Research communicates with clients across a variety of mediums of the clients' choosing including emails, voice blasts and electronic publication to our proprietary website.

This report is limited for the sole use of clients of Wolfe Research. Authorized users have received an encryption decoder which legislates and monitors the access to Wolfe Research, LLC content. Any distribution of the content produced by Wolfe Research, LLC will violate the understanding of the terms of our relationship.

INDUSTRY NOTE

Rating |Target | Estimate Change

USA | Energy | Master Limited Partnerships

January 14, 2016

Jefferies

EQUITY RESEARCH AMERICAS

Master Limited Partnerships

4Q Earnings Preview: Hello From The Other Side

Key Takeaway

Amid a broad midstream sell-off (AMZ is off ~21% since end of Q3) & ahead of 4Q reporting, we have reviewed our model assumptions for each covered company. We acknowledge the commodity price uncertainty, but affirm our modestly constructive outlook for 2016. Along with this preview, we are upgrading TRGP & NGLS to Buy, from Hold, on valuation.

Chance to reset the deck? Average 4Q levels showcased weaker oil & natgas prices & relatively flat NGL prices vs 3Q. Given the continued commodity weakness & resulting impacts in midstream equities, we expect mgmt teams to be more forthright with regard to the current state of affairs. We believe this could be an opportunity for mgmt teams to 'reset the deck' with respect to 2016 investor expectations following the formal E&P budget process. We chiefly expect additional granularity & disclosure with regard to projects & current operations in an effort to differentiate amid distress in the capital markets.

Thoughts on ETE / WMB. In the wake of our ETE initiation & WMB upgrade, we have received a litany of inquiries questioning the pending merger & potential for the deal to be re-struck with a lower cash component given recent capital market turmoil. While we model the merger under current terms assuming the ~$6B cash consideration is exercised, we await mgmt comments regarding the potential for deal restructuring & avenues to alleviate BS concerns. We believe an elimination of the cash component would be highly constructive to both equities' valuation, but have no insight into what the parties are considering.

Guidance & likely beats & misses. Along with 4Q earnings, we anticipate several key guidance releases from SXL, OGS, STR, and EnLink. In addition, we believe SE & UGI are the most likely to miss Street's current quarterly est, while NFG & SUN are the most likely to beat.

Christopher Sighinolfi, CFA *
Equity Analyst
(212) 707-6420 csighino@jefferies.com
Christopher Tillett *
Equity Associate
(212) 284-4697 ctillett@jefferies.com
Corey Goldman *
Equity Associate
(212) 284-3411 cgoldma1@jefferies.com
Henry Mullen *
Equity Associate
(212) 284-1738 hmullen@jefferies.com
* Jefferies LLC

							Current EPS Estimates			Previous Est.	
Company Name	**Ticker**	**Mkt. Cap (MM)**	**Rating**	**Price**	**Price Target**	**Cons. Next FY**	**2015**	**2016**	**2017**	**2016**	**2017**
AmeriGas Partners	APU	$3,437.3	BUY	$37.00	$52.00	--	$2.43	$2.60	$2.85	$2.84	$2.88
Columbia Pipeline Group	CPGX	$6,796.6	BUY	$17.00	$24.00	--	$0.67	$0.61	$0.60	$0.67	$0.66
Columbia Pipeline Partners	CPPL	$1,412.4	BUY	$14.04	$22.00▼	--	$0.52	$0.88	$1.05	$0.94	$1.08
DCP Midstream Partners	DPM	$2,249.3	BUY	$19.61	$32.00▼	--	$2.45	$1.85	$1.67	$1.66	$1.66
Energy Transfer Equity	ETE	$9,382.3	BUY	$8.98	$19.00▼	--	$1.22	$1.05	$1.09	$1.08	$1.11
Energy Transfer Partners	ETP	$12,607.7	BUY	$25.12	$47.00▼	--	$3.07	$1.18	$2.18	$1.21	$2.18
EnLink LLC	ENLC	$2,077.1	BUY	$12.65	$24.00▼	--	$0.43	$0.56	$0.76	$0.56	$0.68
EnLink Partners	ENLK	$3,973.4	BUY	$12.07	$21.00▼	--	$0.41	$0.59	$0.78	$0.70	$0.72
Enterprise Products Partners	EPD	$43,706.4	BUY	$21.79	$34.00▼	--	$1.29	$1.45	$1.63	$1.50	$1.68
Kinder Morgan	KMI	$28,897.9	HOLD	$12.95	$14.00▼	--	$0.71	$0.64	$0.77	$0.73	$0.90
National Fuel Gas Company	NFG	$3,387.4	BUY	$40.04	$60.00▼	$2.74	$2.93	$2.66	$2.95	$3.00	$3.77
NiSource Inc.	NI	$6,205.1	HOLD	$19.47	$19.00	--	$1.34	$1.06	$1.09	$1.06	$1.10
ONE Gas Inc.	OGS	$2,555.2	HOLD	$48.95	$44.00	$2.33	$2.16	$2.36	$2.53	$2.36	$2.52
ONEOK Inc.	OKE	$4,389.0	BUY	$20.97	$34.00▼	--	$1.48	$1.70	$1.86	$1.69	$1.89
ONEOK Partners	OKS	$7,136.4	BUY	$24.97	$38.00	--	$1.77	$2.10	$2.59	$2.09	$2.56
Plains All American Pipeline	PAA	$7,894.3	BUY	$19.85	$32.00	--	$0.94	$1.14	$1.33	$1.52	$1.56
Plains GP Holdings	PAGP	$1,597.5	BUY	$7.10	$13.00▼	--	$0.51	$1.14	$1.15	$0.99	$1.06
Questar Corp.	STR	$3,275.8	HOLD	$18.74	$20.00	$1.34	$1.29	$1.31	$1.31	$1.31	$1.32
Southwest Gas	SWX	$2,698.5	HOLD	$56.93	$57.00	$3.42	$2.91	$3.06	$3.44	$3.06	$3.44
Spectra Energy Corp.	SE	$16,241.2	HOLD	$24.19	$26.00▼	--	$1.14	$1.15	$1.37	$1.36	$1.45
Spectra Energy Partners	SEP	$12,949.8	BUY	$42.88	$53.00	--	$3.30	$3.00	$3.00	$2.89	$2.97
Sunoco Logistics Partners	SXL	$4,945.0	BUY	$18.99	$31.00▼	--	$1.03	$0.98	$1.59	$1.13	$1.73
Sunoco	SUN	$3,531.4	BUY	$33.19	$50.00	--	$2.01	$2.18	$1.83	$2.22	$1.88
Targa Corp.	TRGP	$2,773.4	BUY▲	$17.28	$26.00	--	$1.96	$0.09	$0.69	$0.80	$1.47
Targa Partners	NGLS	$1,960.7	BUY▲	$10.61	$16.00	--	$0.21	$(0.92)	$(0.44)	$(0.12)	$0.60
Williams Co.	WMB	$10,204.8	BUY	$13.61	$36.00▼	--	$0.65	$0.45	$0.67	$0.52	$0.75
UGI Corporation	UGI	$5,670.2	HOLD	$32.89	$36.00▼	$2.11	$2.02	$2.03	$2.29	$2.20	$2.30
Williams Partners	WPZ	$9,751.5	BUY	$16.22	$39.00▼	--	$1.79	$0.85	$1.10	$0.87	$1.36

Energy

Rating | Target | Estimate Change

January 14, 2016

Exhibit 1: MLP 4Q15 Earnings Details

Company Name	Ticker	Earnings Release Date/Time	EBITDA 4Q15 JEFe	EBITDA 4Q15E Consensus	EBITDA 4Q14A	Projected Beat / Miss
AmeriGas Partners*	APU	02.01 -- After Market	$192	$191	$189	In-Line
Columbia Pipeline Partners	CPPL	02.18 -- Before Market	$172	$169	NA	In-Line
DCP Midstream Partners	DPM	02.25 -- Before Market	$159	$172	$139	Miss
Energy Transfer Partners	ETP	02.16- After Market*	$1,495	$1,522	$1,282	In-Line
EnLink Midstream Partners	ENLK	02.17 -- Before Market	$186	$190	$122	In-Line
Enterprise Products Partners	EPD	01.28 -- Before Market	$1,343	$1,352	$1,329	In-Line
Targa Resources Partners	NGLS	02.18 -- Before Market	$293	$292	$258	In-Line
ONEOK Partners	OKS	02.22 -- After Market*	$455	$438	$410	In-Line
Plains All American Pipeline Partners	PAA	02.08 -- After Market	$581	$597	$594	In-Line
Spectra Energy Partners	SEP	02.02 -- Before Market	$442	$449	$417	In-Line
Sunoco LP	SUN	02.16- After Market*	$144	$123	$65	Beat
Sunoco Logistics	SXL	02.16- After Market*	$299	$304	$237	In-Line
Williams Partners	WPZ	02.16- After Market*	$1,137	$1,101	NA	In-Line

Source: FactSet & Jefferies

Note: APU financials represent F1Q16 data; ETP, OKS, SUN, SXL & WPZ earnings release dates are JEFe

Note: CPPL consolidates Columbia OpCo, so EBITDA represents OpCo EBITDA.

Note: 'Beat' is defined by JEF as >5% vs. Street, 'Miss' is >-5% vs. Street, and 'In-Line' is the range between -5%& +5% vs. Street

Exhibit 2: C-Corp 4Q15 Earnings Details

Company Name	Ticker	Earnings Release Date/Time	EBITDA 4Q15 JEFe	EBITDA 4Q15E Consensus	EBITDA 4Q14A	Projected Beat / Miss
Columbia Pipeline Group	CPGX	02.18 -- Before Market	$166	$173	NA	In-Line
Energy Transfer Equity	ETE	02.16- After Market*	$405	NA	$298	NA
EnLink Midstream, LLC	ENLC	02.17 -- Before Market	$156	$165	$190	Miss
ONEOK Inc.	OKE	02.22 -- After Market*	$338	$399	$317	Miss
Plains GP Holdings	PAGP	02.08 -- After Market	$577	$582	$663	In-Line
Spectra Energy Corp.	SE	02.02 -- Before Market	$644	$742	$692	Miss
Targa Resources Corp.	TRGP	02.18 -- Before Market	$288	$290	$193	In-Line
UGI Corp.*	UGI	02.01 -- After Market	$0.58	$0.78	$0.66	Miss
Williams Companies Inc.	WMB	02.16- After Market*	$1,077	$1,115	$990	In-Line

Source: FactSet & Jefferies

Note: UGI financials represent F1Q16 data. We also provide EPS estimates for UGI as it continues to employ an EPS-based, not DCF-based, model

Note: ETE & WMB earnings release dates are JEFe; SE EBITDA is before minority interest to align with Street Consensus, see the SE page for detail on our ests.

Note: TRGP JEFe EBITDA includes equity earnings for its interest in NGLS; Jefferies 'Beat/Miss/In-Line' definitions the same as Exhibit 1

Exhibit 3: Diversified Gas 4Q15 Earnings Details

Company Name	Ticker	Earnings Release Date/Time	EPS 4Q15 JEFe	EPS 4Q15E Consensus	EPS 4Q14A	Projected Beat / Miss
Kinder Morgan Inc.	KMI	01.20 -- After Market	$0.19	$0.18	NM	In-Line
National Fuel Gas Corp.	NFG	02.04 -- After Market	$0.81	$0.77	$0.59	Beat
NiSource, Inc.	NI	02.18 -- Before Market	$0.29	$0.31	$0.48	Miss
ONE Gas, Inc.	OGS	02.18 -- After Market	$0.67	$0.69	$0.69	In-Line
Questar Corporation	STR	02.17 -- After Market	$0.40	$0.39	$0.35	In-Line
Southwest Gas Corp.	SWX	02.24 -- After Market*	$1.32	$1.35	$1.20	In-Line

Source: Factset & Jefferies

Note: NFG financials represent F1Q16 data.

Note: SWX indicates estimated earnings release date; Jefferies 'Beat/Miss/In-Line' definitions the same as Exhibit 1

Examining 4Q Trends

Power Generation: While daily US power generation has increased slightly y/y through October (latest available data), up just 0.72%, the power sector's daily natural gas fired output has jumped ~18%. While full 4Q data is not yet available, given subdued natural gas prices we expect further reports to depict a continued rise in gas-fired output. The latest EIA data implies natural gas fueled ~32% of YTD electric output (up from ~27% in '14 & ~28% in '13) while coal has fueled ~34% (down from ~39% in '14 & ~39% in '13).

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

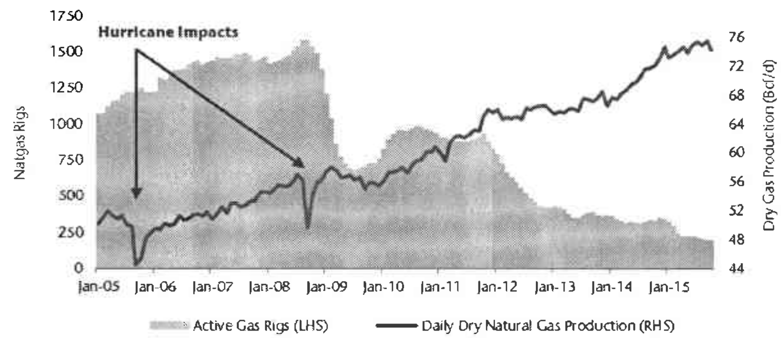
Rating | Target | Estimate Change

January 14, 2016

We calculate ethane rejection averaged 1.46 Bcf/d in Oct, implying methane output averaged 72.8 Bcf/d in the month, a ~2.5% rise y/y

Production: US output reflects prolific unconventional formations & ongoing advances in drilling & completion techniques. According to EIA-914 data, US dry natural gas output (lower 48) averaged 74.3 Bcfd in Oct. (latest available), up ~2.9% y/y, with the TTM daily average up 7.2% y/y. We calculate Oct. ethane rejection averaged 1.46 Bcf/d vs. 1.13 Bcf/d in Oct. 2014, implying methane output averaged 72.8 Bcf/d, a ~2.5% increase y/y.

Chart 1: TTM Average Gas Rigs vs. Lower 48 Dry Gas Production (10-Yrs)



Source: EIA and Baker Hughes

Despite the rise in production, the US natural gas rig count averaged just ~228 in 2015, ~32% lower than 2014's average as producers scaled back activity levels amid sharply weaker product prices. We believe gas-directed drilling activity will remain muted due to depressed multi-year price levels, weakened cash flows, elevated leverage metrics, and rolling hedge positions. However, ongoing efficiency gains, the delayed nature of pad drilling, future price expectations, and infrastructure constraints / debottlenecking activities (and related basis impacts) will continue to shape the productive landscape.

Prices: As illustrated in Exhibit 4, 4Q15 average NYMEX natural gas contract settlement prices fell ~18.1% q/q, WTI crude contract settlement prices fell ~12.2% q/q, Mt. Belvieu composite daily NGL prices rose ~2.0% q/q, and Conway daily NGL prices climbed ~1.5% q/q. On a cash basis, we note that Henry Hub natural gas prices fell 23.4% q/q, to $2.10/MMBtu, and WTI crude oil prices fell 10.9% q/q, to $41.95/Bbl. Though many producers & processors utilize hedging strategies, the fluctuations will impact 4Q results.

Exhibit 4: Commodity Price Realizations & Midstream Team Forecasts

Commodity	2014A	1Q15A	2Q15A	3Q15A	4Q15A	2015A	4Q15 / 3Q15
Natural Gas NYMEX ($/MMBtu)	$4.41	$2.98	$2.64	$2.77	$2.27	$2.66	(18.1%)
WTI Crude Oil ($/Bbl)	$93.40	$51.32	$53.26	$50.54	$44.37	$49.86	(12.2%)
Mt. Belvieu NGLs ($/gallon)	$0.88	$0.49	$0.48	$0.42	$0.43	$0.45	2.0%
Conway NGLs ($/gallon)	$0.89	$0.48	$0.44	$0.39	$0.40	$0.43	1.5%

Source: Bentek, Bloomberg, FactSet

Note: WTI realized prices represent the average 3-month NYMEX contract settlement price

Processing: Average 3Q15 Mt. Belvieu composite barrel NGL prices rose 2.0% q/q and Conway prices rose 1.5% q/q. We estimate ethane rejection averaged ~487 MBbld in Oct. (latest available) and ~482 MBbld YTD. Ethane field production rose to 35.9 MMBbl in Oct. and, with new cracker start-ups & export expansions, we believe ethane economics & S/D fundamentals are poised to improve as we head into 2H16 and beyond; however, they will remain challenged in the near-term and we project rejection to top 600 MBbld in 2Q16 before declining. The average Belvieu frac spread rose ~41% q/q given the 23.4% drop in NYMEX natural gas prices q/q. We highlight that 4Q15 Mt. Belvieu frac spread realization of 19.5¢/gal is the highest level since 4Q14.

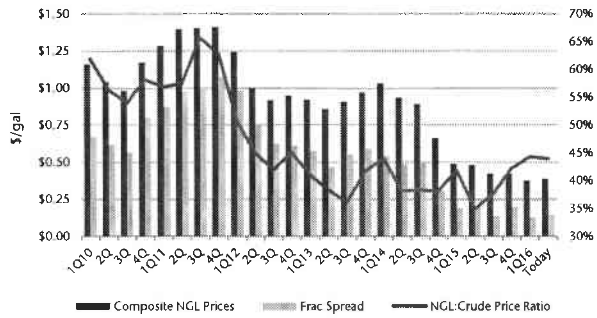
Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

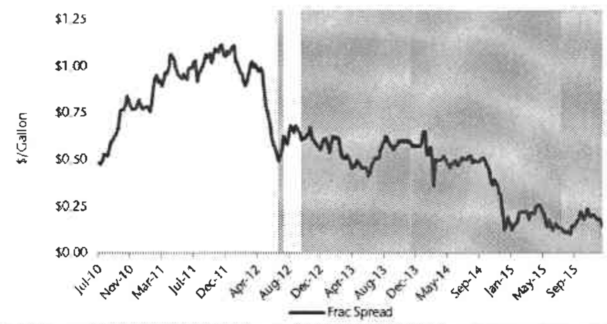
January 14, 2016

Chart 2: Quarterly Gas Processing Margin Stats (Belvieu)



Source: Bentek Energy

Chart 3: Historical Frac Spread (Mt. Belvieu)



Source: Bentek, Jefferies estimates

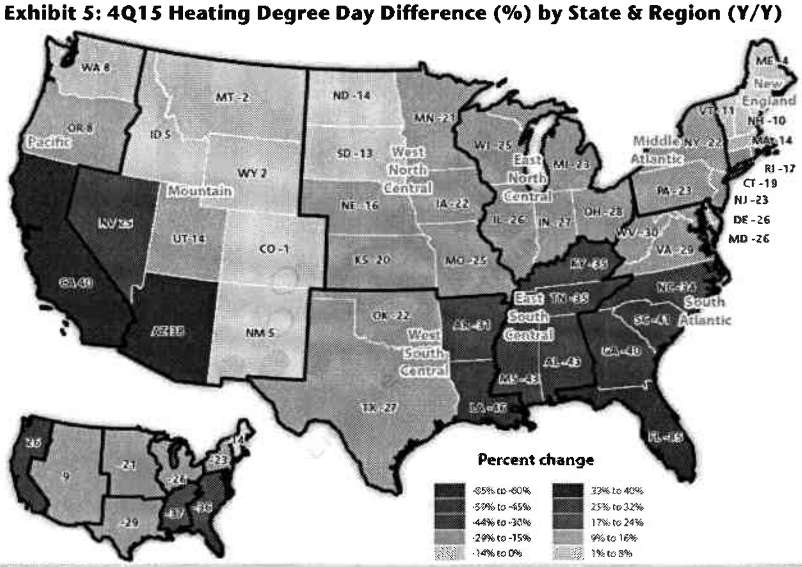
Note: Dark grey bar denotes periods of ethane rejection at Mt. Belvieu

Weather Trends

US heating degree days (HDDs) were down 19% in 4Q versus the same period in 2014 and were ~24% below the long-term October-December average. National HDD averages mask pronounced regional variations, as indicated in Exhibit 5 below. Specifically, all eastern regions witnessed 10%-40% y/y HDD declines, while the Mountain & Pacific areas experienced modest increases in HDDs versus 4Q14. Under normal weather conditions, 4Q represents the second most important period for gas utility sales given December represents the traditional start to the winter heating season.

The National Oceanic & Atmospheric Administration's forecast for this winter suggests El Niño conditions will continue to strengthen given rises in Pacific Ocean water temps. A recent report by The Weather Channel's Professional Division indicates that the strength & location of El Niño will remain a major contributing factor in temps this winter, introducing variations to current forecasts. The latest climate models suggest the current El Niño is among the strongest on record; an El Niño winter is characterized by above-average temps in the northern tier of the US & below-normal temps in the southern tier.

Exhibit 5: 4Q15 Heating Degree Day Difference (%) by State & Region (Y/Y)



Source: SNL Energy, as of December 31, 2015

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

A Christmas Cash Bonus – Too Little Too Late?

On December 18th, Congress passed the Protecting Americans from Tax Hikes (PATH) Act of 2015 that modifies, extends, or makes permanent several depreciation-related provisions, namely an extension of bonus depreciation for property acquired and placed into service during 2015 through 2019. Due to the enactment of the law, 50% bonus depreciation is now allowable for property placed into service during 2015, 2016, & 2017 with a phase down to 40% in 2018 and 30% in 2019.

With historically high levels of capex, midstream companies have been particularly sensitive to this piece of legislation as the extra depreciation expense has provided sizeable cash tax shields and increased distributable cash flow. Though the enactment of the PATH Act comes at a time when many midstream companies are feeling a cash pinch caused by plummeting commodity prices and uneasy capital markets, for some names the extension of bonus depreciation is simply not enough or too little too late. December saw dividend cuts from Kinder Morgan, Inc. (KMI), Teekay Corp. (TK), and Vanguard Natural Resources (VNR) amid an industry-wide effort to preserve capital and reduce reliance on funding from capital markets. KMI slashed its annual payout by 75%, from $2.04 to $0.50 per share, on December 8th, citing the need to avoid raising new equity to fund growth capital at what management believed was a prohibitively expensive level, which will allow the company to avoid tapping the equity markets through 2018. Teekay announced on December 16th that it was reducing its quarterly payout by 90%, from $2.20 to $0.22 per annum, after two of its underlying MLPs also revealed plans to reduce their quarterly cash distributions. Then on December 18th, Vanguard announced (for the second time in 2015) that it was cutting its monthly distribution by 75%, to just $0.03 per unit from $0.1175 per common unit.

The dividend newsflow was not all bad, however, as other midstream players affirmed distributions & dividend growth plans. Earlier this month Spectra Energy (SE) announced a 14-cent increase in its dividend, to $1.62 from $1.48 per share, which represents a ~9.5% increase y/y for 2016. This was slightly above SE's prior ~9% guidance and well above our own expectations as we believed a more muted propane outlook, declining CAD/USD rate, and a reduced contribution from the Sand/Southern Hills liquids pipelines might force SE management to reevaluate its plans. Enterprise Products (EPD) announced on January 4th that management was recommending a 5.2% increase in its annual distributions for 2016. Enterprise does not typically provide distribution guidance, but in prepared commentary CEO Jim Teague said that "due to recent actions by some of our midstream peers to reduce or freeze their dividends/distributions, we believe it is important to provide our investors with visibility into management's planned recommendations for [EPD's] distribution growth for 2016". Separately, in a presentation published in early January, Targa Resources (TRGP) reiterated its ability to deliver $4.10 per share dividend under its "Consensus Pricing" scenario or $3.92 under a "Price Sensitivity" scenario, the latter of which represents a 10% increase for pro forma Targa y/y in 2016. As we describe in the Targa Resources section below, we believe the current level of dividend will be paid and any growth will be subject to market conditions.

Despite the varied approaches to dividends/distributions we saw at the end of 2015, stock performance across the sector has not shown marked diversion. The benchmark AMZ fell 27% in 2H15, and though KMI, VNR, and TK all fell by more than 60% in that time, names like EPD, SE, and TRGP also by ~14%, ~27%, and 70% despite the dividend / dividend growth commitments in 2016.

Revising Commodity Price Forecasts

Earlier this week, our Integrated Oils team lowered its 2016-18 and long-term Brent & WTI oil price forecasts. In its note (Playing Defense), the Oils team noted that OPEC is continuing to produce flat-out into a market that is oversupplied by >1 MMBbld; already

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

decelerating demand growth could further decay with slowing economic activity; and OECD inventories that are already at record levels are likely to expand through at least the middle of the year. Accordingly, it is difficult to envision a fundamentally bullish scenario for oil in 2016 & the JEF Brent price assumptions have been lowered to $43/Bbl from $61/Bbl in 2016; $57.75/Bbl from $73/Bbl in 2017; and to $71.75/Bbl from $81/Bbl in 2018. We also assume that WTI prices will converge with Brent; the differential over the forecast period ranges from ~$2/Bbl to parity.

In the wake of its December meeting OPEC made it abundantly clear that its low-cost barrels will be fully in the market for the foreseeable future. OPEC output will remain near 32 MMBbld for now, and then grow by 300-500 MBbl on the Implementation Date when sanctions on Iran are lifted. We expect this will be in mid-2Q but could come earlier and expand the current supply surplus. This persistent oversupply is an increasingly heavy drag on prices as crude inventories reach ever-higher levels. We do not expect 'full storage' but logistics could become increasingly complicated as inventories grow and the contango may need to expand further.

Strong demand, refining margins and refinery utilization have partially relieved the chronic oversupply situation but could be waning. The middle distillate crack is now at the bottom of the 5-yr range and has further to fall if northern hemisphere temperatures remain above normal and economic activity remains tepid. Crude prices would face further pressure if refinery utilization drops due to weak margins. This will be exacerbated by refinery maintenance season in the US and Europe that begins in late February.

We do expect that oil prices are now low enough that existing production could be shut in. Operating costs now exceed prices for late-life conventional production (North Sea, US onshore stripper wells) and for some heavy oil/oil sands producers. The near term cash burn has to be evaluated against contributions to fixed costs, the risks of never reestablishing production from older wells, the triggering of abandonment liabilities and the operational consequences of interrupting thermal heavy oil recovery. However, negative cash margins cannot be sustained indefinitely. We hold firm our belief that oil prices will rise materially above current prices at some point, but conversely prices could remain under pressure for the better part of 2016.

Exhibit 6: JEF Commodity Price Forecasts (Midstream Team)

Mont Belvieu Natural Gas Liquids Prices (by component product)	2014	1Q	2Q	3Q	4Q	2015	1QE	2QE	3QE	4QE	2016E	2017E	2018E	2019E	2020E / Exit
Jefferies Oil - WTI ($/Bbl)	93.40	51.32	53.26	50.54	44.37	49.86	38.00	37.00	42.00	48.00	41.30	57.00	71.80	80.00	85.00
NYMEX WTI Oil Strip ($/Bbl)	93.40	51.32	53.26	50.54	44.37	49.86	32.19	33.28	35.34	37.31	34.54	41.47	45.02	47.69	49.53
JEF Midstream Team Natural Gas - NYMEX ($/MMBtu)	4.41	2.98	2.64	2.77	2.27	2.66	2.55	2.65	2.80	3.00	2.75	3.00	3.25	3.25	4.00
NYMEX Natural Gas Strip ($/MMBtu)	4.41	2.98	2.64	2.77	2.27	2.66	2.31	2.38	2.50	2.63	2.45	2.76	2.86	2.96	3.09
Ethane (¢/gallon) - 42% Volume Weighting	26.77	18.62	18.22	19.06	17.97	18.47	16.52	17.03	17.86	18.82	17.56	19.93	21.01	21.65	29.21
Propane (¢/gallon) - 28% Volume Weighting	104.00	52.78	46.15	40.76	42.33	45.46	42.52	40.52	47.00	54.29	46.11	69.60	89.73	104.76	111.31
Butane (¢/gallon) - 7% Volume Weighting	121.71	68.09	59.54	55.38	60.78	60.91	45.24	44.05	50.00	57.14	49.13	69.93	88.87	99.05	105.24
Isobutane (¢/gallon) - 9% Volume Weighting	124.61	68.00	59.85	55.47	61.57	61.19	45.24	44.05	50.00	57.14	49.13	69.93	88.87	99.05	105.24
Natural Gasoline (¢/gallon) - 14% Volume Weighting	198.60	108.88	125.72	99.06	98.54	108.00	81.43	79.29	90.00	102.86	88.46	122.21	153.82	171.43	182.14
NGL:Crude Relationship	39.5%	39.9%	37.6%	35.0%	40.7%	38.2%	41.4%	41.6%	41.3%	40.8%	41.2%	41.4%	40.8%	41.1%	42.4%
Composite NGL ($/gallon)	$0.88	$0.49	$0.48	$0.47	$0.43	$0.45	$0.37	$0.37	$0.41	$0.47	$0.41	$0.56	$0.70	$0.78	$0.86
NGL - Mt. Belvieu ($/Bbl)	$36.92	$20.47	$20.05	$17.71	$18.06	$19.06	$15.74	$15.39	$17.33	$19.59	$17.02	$23.59	$29.28	$32.87	$36.02

Source: EIA, Bentek, and Jefferies estimates

Along with the Oils team's revised crude pricing views, the Midstream team trimmed its NGL price forecasts (given C3+ pricing linkages to crude) and lowered its natural gas price forecasts to better align with the NYMEX strip. We maintain adherence to the Jefferies long-term normalized WTI crude and NYMEX natural gas prices of $85/Bbl & $4/MMBtu. Our 2016-2019 product-specific price forecasts, as well as the current WTI & NYMEX gas strip prices, are featured in Exhibit 6 above. In conjunction with our detailed scrub of 4Q expectations, these revised commodity price outlooks have been incorporated into our midstream company estimates and valuation analysis.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

AmeriGas Partners (APU)

A Look Back to F4Q Earnings
JEFe F4Q EBITDA: $56mm
Street est. F4Q EBITDA: $58mm
Actual F4Q EBITDA: $40mm

- We expect APU to report F1Q16 Adjusted EBITDA of $192mm, above the Street's current $185mm consensus estimate. We also forecast F1Q16 DCF of ~$137mm, with LP coverage of 1.49x; we note that F1Q is usually the second-strongest cash flow quarter due to the seasonal nature of the business & we project TTM LP coverage of ~1.10x.
- The average F1Q Mt. Belvieu propane price rose ~2.0% q/q, to ~41.5¢/gallon, as moderating production growth and increasing exports took effect. Average US propane inventories were 10% higher y/y in F1Q & also 53% above the corresponding 5-year F1Q average. Rising wholesale prices can create margin headwinds for APU if it is slow to pass through price increases to customers and customers consume less given the cost of consumption has increased; we note that heating degree days (HDDs) across the US were down 19% in 4Q versus the same period in 2014 and were ~24% below the long-term October-December average. Though Mt. Belvieu propane prices were up slightly q/q, they were down ~45% y/y which we believe may incent increased consumption in the qtr.
- APU issued initial F2016 guidance along with F4Q results, estimating full-year EBITDA of $660-$690mm; implying a ~9% increase y/y at the midpoint. If the warmer weather, particularly in the northeast, continues to persist, we believe there may be further downside risk to the initial guidance range.
- We expect APU to declare a quarterly distribution of $0.92 for F1Q, flat q/q and up ~4.5% y/y. APU typically raises its distribution annually in April and we continue to anticipate another 4¢/qtr raise this spring.
- As there is much investor concern within the MLP space today with regard to capital market access, company-specific leverage, counterparty health, and the ability to sustain/growth distributions, we note that APU's financial situation remains strong. It was the only MLP within our coverage to generate FCF in F14 & F15, does not require any equity capital, carries a 3.5-4.0x leverage profile, and has no debt maturities until August of 2019. Moreover, its General Partner, UGI Corp., owns ~26% of its LP units and is itself on solid financial footing.

Exhibit 7: APU F1Q16 Results Preview

Operating Results	JEFe F1Q16E	Quarter-over-Quarter F4Q15A		Year-over-Year F1Q15A	
Total Retail Gallons Sold	288.4	193.9	48.7%	340.2	-15.2%
Total Revenues	$765.6	$418.2	83.1%	$888.8	-13.9%
Propane Cost of Sales	$369.3	$138.9	165.9%	$440.3	-16.1%
Propane Gross Profit	$319.7	$218.5	46.3%	$372.4	-14.2%
Operating & Administrative Expenses	$191.2	$226.0	-15.4%	$246.7	-22.5%
as % of Total Revenues	*25%*	*54%*		*28%*	
Depreciation & Amortization Expenses	$49.4	$49.4	0.0%	$49.4	0.0%
Interest Expense	$40.9	$40.4	1.2%	$41.0	-0.3%
Net Income	**$100.7**	**($50.5)**	NM	**$97.3**	-3.5%
GP Interest	$9.6	$8.1	17.7%	$6.1	56.3%
Net Income Attributable to LP	**$91.1**	**($58.7)**	NM	**$91.1**	0.0%
Average # of Units Outstanding	92.9	92.9	0.0%	92.9	0.1%
Earnings Per Unit (EPU)	**$0.98**	**($0.63)**	NM	**$0.98**	0.1%
Adjusted EBITDA	**$192.0**	**$39.7**	NM	**$188.5**	1.8%
Distributable Cash Flow	**$137.0**	**($15.1)**	NM	**$131.9**	3.8%
LP Coverage	**1.49x**	**(0.29x)**	NM	**1.52x**	-2.2%
TTM LP Coverage	**1.10x**	**1.10x**	-0.3%	**1.11x**	-1.4%

Source: APU reports and Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Columbia Pipeline Group (CPGX)

- We expect CPGX to report 4Q DCF of ~$94.6mm, implying excess cash available for dividends of ~$50mm.
- On December 18th, CPGX announced a customer agreement on a significant extension of its long-term system modernization program, pending FERC approval. The extension lengthens the duration of the program through 2020 and includes an additional $1.1B in investments. To-date, CPG has invested ~$1B under the modernization program; we have previously noted the high likelihood of an extension in the duration and size of the original program.
- On December 1st, CPGX announced the commencement of a secondary offering of 51mm shares of common stock with an option for an additional 7.65mm shares. The offering was upsized to 71.5mm shares with an option for 10.725mm shares on Dec. 2nd, which was fully exercised and closed on Dec. 7th for net proceeds to CPGX of ~$1.4B. This offering is expected to eliminate the need for additional equity capital until 2017; we are still assuming subsequent OpCo dropdowns in 2016, but that CPGX takes CPPL LP units in the 2016 drop.
- Columbia announced in early 4Q that it had placed its East Side Expansion project into service as anticipated. The $275mm project provides an additional 315 MMcfd of capacity on the CGT pipeline system in PA & NJ.
- In late September, Columbia announced it had received FERC approval for its Cameron Access Project in Southwest Louisiana. The $310mm project involves bringing 800 MMcfd of new transportation capacity to the Cameron LNG export terminal and is expected to be placed into service in 1Q18.
- Columbia also announced in late 3Q that its Mountaineer XPress Project ("MXP") had been accepted into pre-filing by FERC, with plans to file a formal application for the MXP and Gulf XPress projects in April 2016. MXP is a $2B project which will provide approximately 2.7 Bcfd of incremental transportation capacity along Columbia's existing facilities in West Virginia. Construction on the project is expected to be complete by 4Q18.
- We expect CPGX to declare a 13¢ per share dividend for 4Q. Mgmt has stated its expectation to achieve a ~15% annual average growth rate through 2020.

Exhibit 8: CPGX 4Q15 Results Preview

Operating Income by Division	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Street Mean 4Q15E	
Revenues	$362.6	$320.9	13.0%		
Operating Expenses	($195.7)	($180.6)	8.3%		
Depreciation & Amortization	($35.1)	($35.0)	0.4%		
Total Operating Income	**$130.7**	**$103.4**	26.4%		
Other Income / (Expenses)	$3.4	$6.7	-49.3%		
Interest Expense	($28.7)	($29.4)	-2.4%		
Minority Interest (Public LP in CPPL)	($10.8)	($11.8)	-8.5%		
Income Tax Benefit (Expense)	($38.7)	($25.8)	50.5%		
Recurring Net Income	**$55.9**	**$43.2**	29.5%	**$55.0**	1.6%
Avg Diluted Shares Outstanding	342.5	318.4	7.6%		
Earnings Per Diluted Share	**$0.16**	**$0.14**	20.4%	**$0.18**	-9.4%
JEF EBITDA ($MM)	**$158**	**$133**	18.9%		
CPGX EBITDA ($MM)	**$166**	**$138**	19.8%	**$170**	-2.4%
CPGX DCF (Peer-Calculated)	**$53**	**$54**	-1.7%		
CPGX DCF (Reported)	**$95**	**$111**	-14.6%		
Capex	**$488**	**$363**	34.6%	**$334**	46.3%

Source: CPGX reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Columbia Pipeline Partners (CPPL)

A Look Back to 3Q Earnings

JEFe 3Q EBITDA: $139mm

Street est. 3Q EBITDA: $158mm

Actual 3Q EBITDA: $138mm

- We expect CPPL to realize respective 4Q EBITDA & DCF of $166mm & $20mm, below the Street's $171mm mean EBITDA estimate. We note that our EBITDA figure is not adjusted for minority interest, ignores asset sale gains due to their non-recurring nature, and that CPPL consolidates Columbia OpCo. Our DCF forecast implies an LP coverage ratio of ~1.13x for the quarter.
- On December 18th, Columbia announced a customer agreement on a significant extension of its long-term system modernization program, pending FERC approval. The extension lengthens the duration of the program through 2020 and includes an additional $1.1B in investments. To-date, CPG has invested ~$1B under the modernization program; we have previously noted the high likelihood of an extension in the duration and size of the original program.
- On December 1st, CPGX announced the commencement of a secondary offering of 51mm shares of common stock with an option for an additional 7.65mm shares. The offering was upsized to 71.5mm shares with an option for 10.725mm shares on Dec. 2nd, which was fully exercised and closed on Dec. 7th for net proceeds to CPGX of $1.4B. This offering is expected to eliminate the need for additional equity capital until 2017; we are still assuming subsequent OpCo dropdowns in 2016, but that CPGX takes CPPL LP units in the 2016 drop.
- Columbia's East Side Expansion project was placed into service on October 2nd & will begin contributing to results in 4Q. The East Side Expansion is a $275mm extension of natural gas pipeline assets in PA's Chester & Gloucester Counties and is expected to boost system capacity by 315 MMcfd.
- CPPL paid a cash distribution of 17.25¢ per unit in 3Q, which we expect will be increased by 0.5¢, to 17.75¢, along with 4Q results. We continue to anticipate quarterly distribution raises of 0.75¢ per unit through 1H16, escalating to 1¢/quarter in 2H16, and to 2¢/quarter by 2020 so as to achieve a 5-year distribution CAGR of ~20%.

Exhibit 9: CPPL 4Q15 Results Preview

Comparison Metrics	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Street Mean 4Q15E	
Operating Revenues	$362.6	$320.0	13.3%		
Operating Expenses	$231.9	$215.6	7.6%		
Operating Income	**$130.7**	**$104.4**	25.2%	**$124.0**	5.4%
Interest & Debt Expense	$8.5	$7.6	11.7%		
Income Tax Expense	$0.0	$0.0	NA		
Net Income to Columbia OpCo	**$128.5**	**$106.2**	21.0%		
Net Income to noncontrolling interersts	$108.4	$90.0	20.3%		
Net Income Attributable to LP	**$20.2**	**$16.2**	24.9%	**$20.0**	0.9%
Average LP Units Outstanding	201.2	201.2	0.0%	201.2	0.0%
EPU	**$0.20**	**$0.16**	24.8%	**$0.10**	101.8%
EBITDA ($MM)	**$172.2**	**$147.2**	17.0%	**$171.0**	0.7%
CPPL Reported EBITDA ($MM)	**$165.9**	**$137.8**			
Distributable Cash Flow (DCF) in $MM	**$20.2**	**$20.8**	-2.7%		
LP Coverage	**1.13x**	**1.20x**	-5.4%		

Source: CPPL reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

DCP Midstream Partners (DPM)

A Look Back to 3Q Earnings
JEFe 3Q EBITDA: $158mm
Street est. 3Q EBITDA: $159mm
Actual 2Q EBITDA: $143mm

- We expect DPM to report adjusted 4Q15 EBITDA of $159mm, below the Street's $170mm mean estimate. We also project 4Q15 DCF of $138mm, implying LP coverage of ~1.19x and a TTM LP coverage ratio of ~1.15x.
- On September 9th, PSX & SE, 50/50 owners of DCP Midstream LLC, DPM's GP, announced they had entered into a nonbinding letter of intent to contribute cash & assets to DCP Midstream, LLC in order to improve its leverage & strengthen its operational footing. Under the agreement, which was executed on October 30th, SE contributed 33% interests in the Sand Hills and Southern Hills NGL pipelines & PSX contributed $1.5B in cash. The cash was used to pay down DCP LLC's credit facility and the asset contribution is intended to complement the franchise's efforts to reduce costs, divest non-core assets, and convert commodity price sensitive contracts to fee-based structures. SE & PSX remain 50/50 owners of DCP Midstream LLC.
- Despite the benefits of the cash & asset contributions from SE & PSX for its GP, we remain concerned about DCP LLC's credit issues beyond March 2017. The covenant associated with DCP LLC's amended 2015 credit agreement requires DCP to maintain a consolidated leverage ratio (debt/EBITDA) of no more than 5.0x. In conjunction with the Equity Contribution transaction from SE/PSX in October, the definition of consolidated EBITDA under the agreement now includes an additional $750mm with consolidated indebtedness to include cash on hand; this treatment remains in place through March 2017. With net debt of $7.2B as of the end of 3Q15 and assuming the entire $1.5B contribution from PSX is used to reduce debt, this leaves consolidated DCP LLC leverage of ~$5.7B. Assuming neutral cash flow over the course of 2016, SE's 2017 EBITDA forecast for DCP LLC of $1.07B as of its last analyst day would imply leverage of ~5.3x when the extra $750mm EBITDA treatment expires.
- We do not anticipate a distribution raise at DPM this quarter, and believe mgmt. will maintain flat quarterly distributions of 78¢/unit through 2020.

Exhibit 10: DPM 4Q15 Results Preview

Comparison Metrics	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Year-over-Year 4Q14A	
Operational Performance					
Natural Gas Services Segment					
Natural Gas Throughput (MMcf/d)	2,679.6	2,842.0	-5.7%	2,700.0	-0.8%
NGL Production (MBbl/d)	162.7	171.2	-4.9%	165.0	-1.4%
NGL Logistics Segment					
NGL Pipeline Throughput (MBbl/d)	272.5	272.6	-0.1%	243.4	11.9%
Wholesale Propane Logistics Segment					
Propane Sales Volumes (MBbl/d)	19.4	8.0	144.2%	19.4	0.0%
Financial Performance ($MM)					
Natural Gas Services Segment	$100.0	$95.0	5.3%	$92.0	8.7%
NGL Logistics Segment	$49.0	$46.0	6.5%	$37.0	32.4%
Wholesale Propane Logistics Segment	$4.0	($7.0)	NM	($4.0)	NM
Total Segment Income	**$153.0**	**$134.0**	14.1%	**$125.0**	22.4%
Interest & Debt Expense	$23.0	$25.0	-8.0%	$22.0	4.5%
Income Tax Expense	$1.9	$0.0	NM	$0.0	NA
Net Income	**$107.0**	**$88.0**	21.6%	**$87.0**	23.0%
General Partner Interest	$31.0	$31.0	0.0%	$31.0	0.0%
Net Income Attributable to DPM	**$76.0**	**$57.0**	33.4%	**$56.0**	35.7%
Average LP Units Outstanding	114.7	114.7	0.0%	113.3	1.3%
EPU	**$0.66**	**$0.50**	33.3%	**$0.49**	34.0%
EBITDA in $MM	**$159.0**	**$143.0**	11.2%	**$139.0**	14.4%
Distributable Cash Flow (DCF) in $MM	**$138.0**	**$122.0**	13.1%	**$112.0**	23.2%
LP Coverage	**1.19x**	**1.02x**	17.6%	**0.92x**	29.9%
TTM LP Coverage	**1.15x**	**1.09x**	6.3%	**1.08x**	6.9%

Source: DPM reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Energy Transfer Partners & Equity (ETP/ETE)

- We expect ETP to report 4Q Adj. EBITDA of $1.495B, roughly in-line with the Street's $1.533B mean estimate. We also project ETP DCF of ~$913mm, also in-line with the $957mm Street mean estimate, implying 4Q LP coverage of 1.03x & TTM coverage of 1.01x. We expect ETE to report 4Q Adj. EBITDA of $405mm underpinning DCF of ~$332mm, in-line with the $320mm Street mean est., implying 4Q coverage of 1.11x and TTM coverage of 1.15x.
- We expect several new ETP projects began service in 4Q which should deliver incremental cash flows. For instance, despite weaker/flat commodity prices, we project 1) the Alamo plant (200 MMcfd), 2) Volunteer Pipeline, 3) Utica Ohio River will drive a ~8% sequential increase in Midstream EBITDA to ~$343mm. In addition, we anticipate ongoing Midstream cost savings to continue from synergies at RGP and other miscellaneous cost-cutting programs.
- On November 16th, ETP & SUN announced the drop-down of 100% of Sunoco Inc. & 68.42% Sunoco LLC for ~$2.226B. SUN plans to finance the transaction with a $2.035B committed term loan & private ~$945mm SUN LP unit placement (~$685mm public, ~$65mm ETE; ~$195mm ETP); we anticipate SUN will have ~$300mm drawn on its $1.5B revolving credit facility following the deal. Following deal close which is expected in 1Q (4Q will be the first and only full quarter in which ETP will own & operate ~68% of Sunoco LLC & 100% of Sunoco Inc.), ETP will no longer own or operate any retail marketing assets.
- **Distribution expectations**

  ETP: Announce $1.055/unit quarterly distribution (flat q/q & up ~6% y/y)

  ETE: Announce 28.5¢/unit quarterly distribution (flat q/q & up ~27% y/y)

  SXL: Announce 47.9¢/unit quarterly distribution (up ~5% q/q & up ~20% y/y)

  SUN: Announce 80¢/unit quarterly distribution (up ~7.5% q/q & up ~34% y/y)

  The lack of growth at ETP would be the first quarter without an announced distribution raise since 2Q13. As highlighted in our December 18th initiation, we project ETP will cease distribution growth through 2016 in an effort to preserve cash and restore health to coverage and the balance sheet.

We expect mgmt to address the current state of affairs with respect to the pending WMB merger including 1) potential to renegotiate unit & cash component and 2) contract renegotiations with producer customers (i.e. CHK)

Exhibit 11: ETP 4Q15 Results Preview

Comparison Metrics	JEFe 4Q15E	Quarter over Quarter 3Q15A		Year-over-Year 4Q14A	
Segment Results (Adjusted EBITDA)					
Midstream	$343	$318	8.0%	$166	106.8%
NGL Transportation & Services	$183	$192	-4.7%	$159	15.1%
Interstate Transportation & Storage	$290	$286	1.4%	$281	3.2%
Intrastate Transportation & Storage	$136	$127	7.5%	$105	30.0%
Investment in Sunoco Logistics	$299	$289	3.4%	$237	26.1%
Retail Marketing	$150	$195	-23.1%	$295	-49.2%
Corp-Other	$93	$93	0.0%	$39	138.5%
EBITDA	**$1,495**	**$1,500**	-0.4%	**$1,282**	16.6%
Interest & Debt Expense	$334	$333	0.4%	$212	57.8%
Income Tax Expense	$29	$22	NM	$87	NM
Net Income	**$551**	**$417**	32.2%	**$108**	410.4%
General Partner Interest	$381	$358	6.4%	$198	92.4%
Net Income Attributable to LP	**$170**	**$59**	188.7%	**($90)**	-289.2%
Average LP Units Outstanding	504.3	487.3	3.5%	351.2	43.6%
EPU	**$0.34**	**$0.12**	178.9%	**($0.26)**	-231.8%
EBITDA ($MM)	**$1,495**	**$1,500**	-0.4%	**$1,282**	[illegible]
Distributable Cash Flow (DCF) in $MM	**$913**	**$740**	23.4%	**$623**	[illegible]
LP Coverage	**1.03x**	**0.73x**	[illegible]	**1.19x**	-13.0%
TTM LP Coverage	**1.01x**	**1.04x**	-2.9%	**1.33x**	[illegible]

Source: ETP reports, Jefferies estimates

Exhibit 12: ETE 4Q15 Results Preview

Comparison Metrics	JEFe 4Q15E	Quarter over Quarter 3Q15A		Year-over-Year 4Q14A	
Segment Results					
ETP & Class H Cash Flow	$368	$371	-0.7%	$276	33.5%
SUN Cash Flow	$17	$8	108.5%	$0	#DIV/0!
Lake Charles	$49	$49	0.0%	$49	0.0%
Stand-alone Expenses	($29)	($25)	16.0%	($26)	11.5%
EBITDA	**$405**	**$403**	0.5%	**$299**	35.5%
Consolidated Interest & Debt Expense	$438	$442	-0.9%	$354	23.7%
Stand-alone Interest & Debt Expense	$73	$78	-5.8%	$56	31.2%
Income Tax Expense	$86	$37	NM	$86	NM
Net Income	**$436**	**$291**	49.7%	**$111**	292.4%
Average LP Units Outstanding	1,046.4	1,054.1	-0.7%	1,083.4	-3.4%
EPU	**$0.42**	**$0.28**	50.8%	**$0.10**	306.3%
Distributable Cash Flow (DCF) in $MM	**$332**	**$325**	2.1%	**$243**	[illegible]
Coverage	**1.04x**	**1.09x**	[illegible]	**1.00x**	[illegible]
TTM Coverage	**1.13x**	**1.13x**	0.2%	**1.03x**	[illegible]

Source: ETE reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

EnLink Midstream, LLC (ENLC)

- We expect $46mm ENLC 4Q DCF with 1.07x coverage & 1.18x TTM coverage.
- On December 7th, EnLink announced a definitive agreement to acquire Tall Oak Midstream, LLC for $1.55B. Tall Oak is a privately owned G&P company serving the STACK & Central Northern Oklahoma Woodford (CNOW) plays in Oklahoma supported by fee-based contracts with sizable acreage dedications with a remaining weighted-average term of 15 years. In conjunction with EnLink's announcement, Devon Energy announced it had signed an agreement to acquire Felix Energy, LLC, Tall Oak's largest producer customer, for $1.9B. Tall Oak's assets include two processing facilities with a combined capacity of 175 MMcfd, with a 200 MMcfd expansion at one of its facilities currently under construction. The deal is to be financed in two stages, with the first installment of $1.05B coming from $750mm in convertible preferred equity, $250mm in ENLC common equity, and $50mm in ENLK revolving credit. The remaining $500mm is to be paid no later than 12 months from the time of close with the option to defer $250mm up to an additional 12 months. Due to the ENLC common unit contribution, ENLC will own a 16% interest in Tall Oak.
- We expect EnLink will provide a preliminary 2016 outlook on its 4Q15 earnings call in February. For 2016, we believe ENLC will guide initial dividends of $1.16 per share, or a ~15% increase over 2015, supported by adjusted partnership EBITDA of ~$916mm. We expect growth capex of ~$800mm (excl. the impact of the Tall Oak acquisition), and cash taxes of ~$25mm.
- We believe EnLink will declare 4Q15 quarterly distribution prior to its 4Q report & expect ENLC to announce a $0.26 per share quarterly distribution, an increase of 0.5¢ per share over 3Q. This would put total 2015 dividends at $1.01, or 16.8% above 2014.

Exhibit 13: ENLC 4Q15 Results Preview

Comparison Metrics	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Year-over-Year 4Q14A	
Financial Performance ($MM)					
Revenue	$1,258.1	$1,170.6	7.5%	$995.1	26.4%
Operating Expenses	$1,177.5	$1,100.0	7.0%	$894.1	31.7%
Total Operating Income	**$101.0**	**$101.0**	0.0%	**$116.3**	-13.2%
Other Income	$3.6	$6.5	-44.2%	$4.8	-24.4%
Interest & Debt Expense	$30.3	$30.4	NM	$16.7	81.3%
Minority Interest	$27.4	$25.1	9.4%	$46.2	-40.6%
Income Tax Expense	$10.3	$0.2	5029.7%	$16.9	-39.3%
Net Income	**$16.3**	**$21.4**	-23.9%	**$26.0**	-37.3%
Average Diluted Shares Outstanding	164.2	164.2	0.0%	163.9	0.2%
EPU	**$0.10**	**$0.13**	-23.9%	**$0.16**	-37.4%
Dividend Per Share	**$0.260**	**$0.255**	2.0%	**$0.24**	10.6%
EBITDA ($MM)	**$156.4**	**$150.4**	4.0%	**$190.3**	-17.8%
Distributable Cash Flow (DCF) in $MM	**$45.7**	**$47.5**	-3.9%	**$66.3**	-31.1%
Coverage	**1.07x**	**1.13x**	-5.0%	**1.71x**	-37.4%
TTM Coverage	**1.18x**	**1.34x**	-11.6%	**NA**	

Source: ENLC reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

EnLink Midstream Partners (ENLK)

A Look Back to 3Q Earnings
JEFe 3Q EBITDA: $202mm
Street est. 3Q EBITDA: $186mm
Actual 3Q EBITDA: $187mm

- We expect 4Q ENLK EBITDA of ~$186mm, broadly in-line with the $190mm mean estimate. We also expect DCF of $148mm implying 4Q LP coverage 1.02x.
- On December 7th, EnLink announced a definitive agreement to acquire Tall Oak Midstream, LLC for $1.55B. Tall Oak is a privately owned G&P company serving the STACK & Central Northern Oklahoma Woodford (CNOW) plays in Oklahoma supported by fee-based contracts with sizable acreage dedications with a remaining weighted-average term of 15 years. In conjunction with EnLink's announcement, Devon Energy announced it had signed an agreement to acquire Felix Energy, LLC, Tall Oak's largest producer customer, for $1.9B. Tall Oak's assets include two processing facilities with a combined capacity of 175 MMcfd, with a 200 MMcfd expansion at one of its facilities currently under construction. The deal is to be financed in two stages, with the first installment of $1.05B coming from $750mm in convertible preferred equity, $250mm in ENLC common equity, and $50mm in ENLK revolving credit. The remaining $500mm is to be paid no later than 12 months from the time of close with the option to defer $250mm up to an additional 12 months. Due to the ENLC common unit contribution, ENLC will own a 16% interested in Tall Oak.
- We expect EnLink will provide a preliminary 2016 outlook on its 4Q15 earnings call in February. For 2016, we believe ENLK will guide initial distribution of $1.63 per share, or a ~5.2% increase over 2015, supported by adjusted EBITDA of ~$916mm and DCF of ~$760mm. We expect growth capex of ~$675mm (excl. the Tall Oak acquisition), and maintenance capex of ~$50mm.
- We believe EnLink will declare 4Q15 quarterly distribution prior to its 4Q report & expect ENLK to announce a 39.5¢ per share quarterly distribution, an increase of 0.5¢ per share over 3Q. This would put total 2015 distribution at $1.55, or 5.4% above 2014, which is consistent with management's latest guidance.

Exhibit 14: ENLK 4Q15 Results Preview

Comparison Metrics	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Year-over-Year 4Q14A	
Operational Performance					
Gathering & Transportation (BBtu/d)					
Texas	2,888.1	2,640.3	9.4%	2,899.0	-0.4%
Louisiana	1,450.9	1,516.4	-4.3%	968.0	49.9%
Oklahoma	412.9	391.1	5.6%	467.0	-11.6%
Processing (BBtu/d)					
Texas	1,314.2	1,244.1	5.6%	1,134.0	15.9%
Louisiana	581.4	509.1	14.2%	526.0	10.5%
Oklahoma	363.0	348.9	4.0%	420.0	-13.6%
Fractionation (Mgal/d)	6,689.1	6,370.6	5.0%	5,448.0	22.8%
Crude Handling (MBbls/d)	169.4	147.3	15.0%	17.7	857.1%
Financial Performance ($MM)					
Revenues	$1,258.1	$1,170.6	7.5%	$995.2	
Operating Expenses	$1,176.5	$1,098.7	7.1%	$894.6	31.5%
Total Operating Income	**$81.6**	**$71.9**	13.5%	**$100.6**	-18.9%
Other Income & Expenses	$3.6	$6.5	-44.2%	$4.8	-24.4%
Interest & Debt Expense	$29.9	$30.2	-1.1%	$16.3	83.2%
Minority Interest	$0.0	($0.3)	-100.0%	$36.3	-100.0%
Income Tax Expense	$0.5	$1.0	-48.2%	$1.3	-60.2%
Net Income	**$54.9**	**$47.5**	15.5%	**$51.5**	6.6%
General Partner Interest	$17.2	$6.3	172.9%	$1.4	1128.0%
Net Income Attributable to ENLK	**$37.7**	**$41.2**	-8.5%	**$50.1**	-24.8%
Average LP Units Outstanding	330.7	327.9	0.9%	241.0	37.2%
EPU	**$0.11**	**$0.13**	-9.3%	**$0.21**	-45.2%
EBITDA ($MM)	**$186.4**	**$187.3**	-0.5%	**$122.2**	52.6%
Distributable Cash Flow (DCF) in $MM	**$147.7**	**$147.8**	-0.1%	**$92.1**	60.3%
LP Coverage	**1.02x**	**1.03x**	-1.1%	**0.93x**	9.8%
TTM LP Coverage	**1.00x**	**0.98x**	2.1%	**NA**	

Source: ENLK reports

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Enterprise Products Partners (EPD)

A Look Back to 3Q Earnings
JEFe 3Q EBITDA: $1,321mm
Street est. 3Q EBITDA: $1,344mm
Actual 3Q EBITDA: $1,310mm

We note EPD will likely hold its annual Analyst Meeting in late February/early March

- We expect EPD to report 4Q Adj. EBITDA of $1.343B, roughly in-line with the Street's $1.351B mean estimate. We also project DCF of ~$955mm, below the $985mm Street mean estimate, implying TTM coverage 1.30x.
- On January 4th, EPD issued 2016 distribution growth guidance of 5.2% (broadly in-line with our expectations), and noted that affiliates of its GP are expected to purchase $200mm in common units in 1Q16. EPD does not typically issue distribution growth guidance, but in the press release management noted it believed it "is important to provide our investors with visibility into ... planned recommendations for Enterprise's distribution growth for 2016." Subsequent to this announcement, EPD announced on Jan. 4th its GP had purchased $100mm in common units at an average $26.11 per unit.
- EPD announced in December it has agreed to provide pipeline and marine services for its first export of US crude oil under the newly enacted US law. The 600 MBbls were scheduled to load at EPD's Houston Ship Channel facility in the first week of January 2016.
- In late December, EPD announced the completion of its Houston Ship Channel LPG export facility expansion. The expansion raises the facility's capacity from 16.5 MBbl/h to 27.5 MBbl/h, which equates to an expanded capacity of roughly 29 vessels per month.
- EPD also announced in late December that it had completed the construction of the final segment of its Aegis Ethane Pipeline from Mt. Belvieu, TX to Napoleonville, LA. Final capacity on the pipeline could reach as much as 400 MBbld with executed contracts of roughly 360 MBbld.
- On January 4th, EPD announced a 0.5¢ increase to its quarterly cash distribution, resulting in a 39¢ quarterly payout ($1.56/unit annualized), up ~1.3% q/q & ~5.4% y/y. This raise marked EPD's 55th distribution increase since its IPO & 46th consecutive quarterly boost. In continuing its track record of mid-single digit growth, EPD will preserve robust DCF coverage and retain a BBB+ credit rating.

Exhibit 15: EPD 4Q15 Results Preview

Comparison Metrics	JEFe 4Q15A	Quarter-over-Quarter 3Q15A		Street Mean 4Q15E	
Financial Performance ($MM)					
Operating Margin					
NGL Pipelines & Services	$740	$696	6.4%		
Onshore Natgas Pipelines	$190	$192	-1.2%		
Onshore Crude Pipelines	$264	$255	3.5%		
Offshore Pipelines & Services	$0	$7	-100.0%		
Petchem & Refined Products	$169	$192	-11.6%		
Total	**$1,363**	**$1,341**	1.6%	**$1,358**	0.4%
DD&A	$361	$351	2.7%	$360	0.2%
Interest & Debt Expense	($263)	($244)	7.9%	($254)	3.5%
Income Tax Expense	($10)	($6)	NM		
Net Income	**$677**	**$688**	-1.7%	**$686**	-1.4%
Average Units Outstanding	2,012	2,011	0.1%	1,960	2.6%
Recurring EPU	**$0.34**	**$0.34**	-1.8%	**$0.35**	-3.9%
EBITDA ($MM)	**$1,343**	**$1,310**	2.5%	**$1,351**	-0.6%
Distributable Cash Flow ($MM)	**$955**	**$962**	-0.8%	**$985**	-3.0%
Coverage	**1.24x**	**1.27x**	-2.1%	**1.34x**	-7.6%
TTM Coverage	**1.30x**	**1.37x**	-4.8%		

Source: EPD reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Kinder Morgan (KMI)

A Look Back to 3Q Earnings
JEFe 3Q EBITDA: $1.811B
Street est. 3Q EBITDA: $1.849B
Actual 3Q EBITDA: $1.803B

- We expect KMI to report 4Q15 EPS & Adjusted EBITDA of 19¢ and $1.91B, respectively, in-line with the Street's 18¢ & $1.90B mean estimates. Given mgmt's declared 12.5¢/share dividend, we anticipate a 4Q payout ratio of ~67%
- With ~81% of its 4Q15 crude oil production hedged at ~$78/Bbl, KMI has done a solid job of insulating its near-term commodity price sensitivity. However, as crude oil prices tumbled another ~12% q/q, we anticipate KMI's CO2 segment results will sequentially decline by ~3%. Specifically, while we will not know the specific breakdown (oil production vs CO2 S&T) until the release of the 10-Q, we anticipate EBDA to decline to $273mm in aggregate, the lowest quarterly realization since 2Q11 when oil & NGL sales were just ~42 MBbld vs. the ~50 MBbld we project in 3Q15. On its 3Q earnings call, mgmt implicitly pre-guided 4Q EBDA of $293mm implying a ~4% sequential q/q improvement.
- Despite contributions from the Hiland acquisition, which closed in Feb., mgmt announced on 12.8.15 that KMI would likely miss its FY 2015 EBDA projection by ~5%, or ~$400mm. With revised EBDA now budgeted at ~$7,485mm (excluding JV DD&A), it implies 4Q15 EBDA will be ~$1,907mm. As a reminder, initial 2015 budgeted EBDA (including JV DD&A), was initially forecast at ~$8.2B in Dec. 2014, excluding the Hiland acquisition.
- In conjunction with its 2016 capital outlook announcement, KMI announced a 75% decrease in its quarterly dividend, producing a 12.5¢ quarterly cash payout (50¢/share annualized). As a reminder, in conjunction with the MLP roll-up acquisition announcement, KMI had set forth an expectation to reach a $2.00/sh dividend in 2015 with 10% growth per year through 2020.

We note KMI will be holding an analyst day the week following 4Q earnings in Houston where we anticipate more detailed guidance on 2016 assumptions

- On 10.26.15, KMI agreed to sell 32mm depositary shares (4.8mm overallotment option), each representing 1/20th interest in a share of KMI mandatory convertible preferred stock. The offering price of the depositary share is ~$49/share ($50/share face value) with a 10.26.18 maturity. Use of proceeds includes repayment of revolver and commercial paper borrowing as well as general corporate purposes.

Exhibit 16: KMI 4Q15 Results Preview

Comparative Metrics	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Year-over-Year 4Q14A	
EBDD&A Contribution					
Natural Gas Pipelines	$1,084	$975	11.2%	$1,057	2.5%
CO2	$273	$282	-3.2%	$369	-26.0%
Products Pipelines	$290	$287	1.0%	$225	28.8%
Terminals	$267	$263	1.4%	$277	-3.7%
Kinder Morgan Canada	$38	$42	-8.8%	$44	-12.9%
Total EBDD&A	**$1,945**	**$1,839**	5.8%	**$1,970**	-1.3%
(Depreciation)	($624)	($630)	-1.0%		
(SG&A)	($150)	($152)	-1.3%		
(Interest, net)	($538)	($524)	2.6%		
(Taxes)	($213)	($185)	15.2%		
Net Income	**$417**	**$345**	20.9%		
EPS	**$0.19**	**$0.16**	19.4%		
Average Diluted Shares Outstanding	2,232	2,203	1.3%		
Distributable Cash Flow ($MM)	**$1,158**	**$1,129**	2.6%		
EBITDA ($MM)	**$1,910**	**$1,803**	5.9%		
Coverage Ratio	**4.15x**	**1.00x**	313.3%		
Payout Ratio	**66.9%**	**325.7%**	-79.5%		

Source: KMI reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

National Fuel Gas Corp. (NFG)

A Look Back to F4Q Earnings
JEFe F4Q EPS: $0.55
Street est. F4Q EPS: $0.54
Actual F4Q EPS: $0.55

- We expect NFG to report F1Q16 EPS of $0.81, just above the Street's current $0.77 consensus. We also project F1Q production of ~41 Bcf, up ~9% q/q and down ~15% y/y, due to voluntary, price-induced curtailments.
- WTI F1Q monthly contract settlements averaged $44.37/Bbl, below the $50/Bbl included in NFG's revised F16 guidance, while NYMEX natural gas averaged $2.27/MMBtu, also below NFG's $2.75/MMBtu guidance assumption. NE regional spot prices continued to be depressed during the quarter as rising NE production, diminished seasonal demand, and a broad rout in energy prices put pressure on basis spreads. Specifically, the Dominion South, Leidy, & TGP Z4 & 219 prices all averaged at or below ~$1.35/MMBtu for the quarter; we estimate the average Dominion South price in the quarter was just $1.20/MMBtu.
- NFG announced in early December that it had entered into an asset-level joint venture agreement with IOG Capital to develop Marcellus assets in Elk, Cameron, and McKean counties of Pennsylvania. Under the terms of the agreement, Seneca and IOG will jointly develop up to 80 Marcellus wells, with an obligation to participate in the first 42 wells and an option on the remaining 38. Seneca owns a 26% net revenue interest on the first 42 wells and a 28% interest on the other 38 wells; Seneca's working interest on the wells will increase to 85% after IOG achieves a 15% internal rate of return. At current well costs, IOG's obligation on the first group of wells reduces Seneca's F2016 capital expenditures by $200mm, with a further reduction of $180mm if IOG elects to exercise the option. Following the transaction, the consolidated financing need at NFG in F2016 is now $350-$450mm.
- NFG's Northern Access 2015 project came on-line in November and we look to the earnings release & call for an update on initial asset operations. This project will add 140 MMcfd of transmission capacity on the NFG Supply Corp. pipeline system & provide interconnects into TransCanada's pipeline system at Niagara. We also look forward to an update on Northern Access 2016 and mgmt's latest plans for financing the $450mm project.

Exhibit 17: NFG F1Q16 Results Preview

Comparative Results	JEFe F1Q16E	Quarter-over-Quarter F4Q15A		Year-over-Year F1Q15A	
E&P Operational Data					
Production (Bcfe)	41.1	37.6	9.2%	48.2	-14.7%
Average Realized Natural Gas Price ($/MMBtu)	$2.93	$3.22	-9.1%	$3.13	-6.3%
Average Realized Oil Price ($/Bbl)	$57.77	$66.40	-13.0%	$78.09	-26.0%
Total Unit Cash Costs ($/Mcfe)	$1.56	$1.69	-7.3%	$1.44	8.8%
Total Unit Costs ($/Mcfe)	$2.66	$2.92	-8.7%	$3.10	-14.0%
Operating Income by Division ($MM)					
Utility	$37.1	($6.6)	-658.7%	$42.3	-12.3%
Pipeline & Storage	$41.4	$32.5	27.6%	$39.9	3.9%
Gathering	$15.9	$13.6	16.9%	$20.7	-23.1%
Exploration & Production	$42.1	$54.1	-22.1%	$55.4	-23.9%
Energy Marketing	$4.8	($0.2)	-2168.5%	$4.6	5.0%
Corporate & Other	($1.7)	($2.8)	NM	($2.2)	NM
Total Operating Income	$139.7	$90.5	54.4%	$160.6	-13.0%
Depreciation	$63.2	$70.9	-10.8%	$102.7	-38.5%
Other Income / (Expenses)	$1.3	$3.2	NM	$1.2	NM
Interest Expense	($26.9)	($26.7)	0.6%	($21.8)	23.1%
Income Tax Benefit (Expense)	($45.1)	($32.1)	40.7%	($55.2)	-18.2%
Recurring Net Income	$68.9	$34.9	97.5%	$84.8	-18.7%
Avg Diluted Shares Outstanding	84.6	84.6	0.0%	85.1	-0.6%
Earnings Per Diluted Share	$0.81	$0.41	97.5%	$1.00	-18.2%

Source: NFG reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

NiSource, Inc. (NI)

A Look Back to 3Q Earnings
JEFe 3Q EPS: $0.03
Street est. 3Q EPS: $0.02
Actual 3Q EPS: $0.06

- We expect NI to report recurring 4Q15 EPS of $0.29, below the Street's $0.32 mean estimate. We also forecast 4Q EBITDA of $375mm & note NI's non-GAAP reporting eliminates the effects (positive or negative) of non-normal weather.
- In late August, NI's Columbia Gas of Pennsylvania reached an agreement in its pending rate case that authorized a $28mm gas distribution base rate increase based on a fully-forecasted test year ending 12/31/2016, which the PA PUC approved on December 3rd. The original request was initiated on March 19th and called for a $46.2mm rate increase based on a 10.95% ROE and $1.325B rate base for a calendar-2016 test year. As in this case, it is common for agreements in Pennsylvania to be silent with respect to authorized rate base and rate of return. The results of the settlement took effect on December 18th.
- In mid-August, NI's Columbia Gas of Massachusetts (Bay State Gas Co.) reached a settlement on its pending rate case that provides for a $36.4mm gas rate increase based on a 9.55% ROE and 53.54% equity portion. The proposed rate increase is to be implemented in two parts, with the first $32.8mm to be implemented on Nov. 1, 2015 and the remaining $3.6mm to be implemented on Nov. 1, 2016. The original request was for a $49.3mm rate increase on a 10.95% ROE based on a $590.1mm year-end rate base for calendar 2014. The case also includes a stay-out provision until Oct. 31, 2018. The Massachusetts Department of Public Utilities authorized the rate increases on October 15th.
- On May 26th, NIPSCO filed a settlement with related parties to address issues associated with its 7-yr modernization plan. Under the settlement, NIPSCO was required to file a new rate case by 12/31/15 (which it did on 10/1/15). Legal proceedings in the case are still ongoing, but we note that per Indiana's 300-day rule (S.B. 560), the IURC has until July 27th, 2016 to issue an order. The case calls for a $126.6mm base rate increase premised on a 10.75% ROE and rate base of $3.438B. NIPSCO also re-filed its 7-yr program just before the end of the year following the rate case, which calls for $1.33B in investments over the next seven years.

Exhibit 18: NI 4Q15 Results Preview

Operating Income by Division	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Year-over-Year 4Q14A	
Gas Distribution	$185.6	$21.6	759.3%	$173.8	6.8%
Columbia Pipeline Group	$0.0	$0.0	NM	$120.0	NM
Electric Operations	$62.8	$101.6	-38.2%	$63.5	-1.1%
Corporate, Other, and Eliminations	($8.8)	($7.4)	NA	($9.2)	4.2%
Total Operating Income	**$239.6**	**$115.8**	**106.9%**	**$348.1**	**-31.2%**
Depreciation	($135.1)	($132.5)	1.9%	($154.7)	-12.7%
Other Income / (Expenses)	$0.0	$5.8	-100.0%	$1.1	-100.0%
Interest Expense	($95.0)	($94.9)	0.1%	($115.8)	-18.0%
Income Tax Benefit (Expense)	($51.3)	($8.6)	498.0%	($81.6)	-37.1%
Recurring Net Income	**$93.3**	**$18.1**	**414.9%**	**$151.8**	**-38.6%**
Avg Diluted Shares Outstanding	322.1	321.5	0.2%	317.5	1.4%
Earnings Per Diluted Share	**$0.29**	**$0.06**	**414.0%**	**$0.48**	**-39.4%**
EBITDA ($MM)	**$375**	**$254**	**47.4%**	**$504**	**-25.6%**
Capex & Affiliate Investments	**$418**	**$365**	**14.6%**	**$592**	**-29.5%**

Source: NI reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Targa Resources Partners (NGLS)

A Look Back to 3Q Earnings
JEFe 3Q EBITDA: $296mm
Street est 3Q EBITDA: $287mm
Actual 3Q EBITDA: $306mm

- We expect NGLS to realize 4Q15 EBITDA of ~$293mm, in-line with the Street's ~$289mm mean estimate. In addition, we forecast 4Q DCF of $196mm, also in-line with the Street's $201mm mean estimate. Including $18.75mm of 4Q IDR waivers, we expect NGLS LP coverage to be ~0.97x in the quarter.
- According to the EIA's weekly petroleum data, average 4Q US propane exports rose ~136 MBbld q/q, up ~25% from 3Q levels. While the sequential rise bodes well for NGLS's Logistics' operations, we note the rise in exports could be driven in part by Mariner South's start up in January & EPD's 50 MBbld incremental expansion at its Houston Ship Channel facility in April. Our downstream operating margin expectation for 4Q15 is ~$162mm, down ~15% y/y, while our FY 2015 expectation of ~$681mm is off ~2% y/y.
- On November 3rd, along with 3Q earnings, TRGP announced the acquisition of NGLS in a unit-for-stock exchange at a ratio of 0.62 TRGP shares for 1.0 NGLS LP units; at the time, the terms represented an ~18% premium to NGLS unitholders' 10-day VWAP. Deal close is dependent on successful majority votes of both the NGLS unitholders & TRGP shareholders. The ~16mm NGLS LP units owned by TRGP are to be voted in favor on the transaction & mgmt has indicated a 1Q16 timeline for completion. While the roll-up of NGLS will permit TRGP to reduce its total cash outlay (~$175mm dividend savings on current annualized payouts) & extend its favorable cash tax position, the continued decline in commodity prices poses a cash flow drag for Targa.
- We expect NGLS will not increase its quarterly distribution, leaving its total payout at 82.5¢/quarter, flat q/q & up 1.9% y/y. In conjunction with the announced transaction, mgmt provided a preliminary 2016 TRGP dividend assumption of $4.10 under a consensus commodity price scenario ($55/Bbl WTI & $0.51/gal NGLs) or $3.92 under a reduced commodity price scenario ($47/Bbl WTI & $0.45/gal NGLs).

We expect the NGLS/TRGP merger to close in 1Q16 and, based on our $26 pro-forma TRGP price target, we calculate an NGLS target price of $16; accordingly, we are upgrading NGLS units to Buy, from Hold, on valuation. In a pro-forma structure, we believe TRGP can sustain its current 91¢/qtr ($3.64/annualized) dividend through 2017 under current commodity strips without the need for equity capital or breaching TRP debt covenants. Moreover, the Targa entities have no debt maturities before 2018.

Exhibit 19: NGLS 4Q15 Results Preview

Comparison Metrics	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Year-over-Year 4Q14A	
Financial Performance ($MM)					
Operating Margin					
Field Gathering & Processing*	$117.5	$132.6	-11.4%	$82.5	42.4%
Coastal Gathering & Processing	$4.9	$7.9	-37.8%	$10.8	-54.5%
Logistics Assets	$102.1	$103.6	-1.5%	$121.3	-15.8%
Marketing & Distribution	$60.1	$60.2	-0.1%	$70.2	-14.3%
Corp & Other	$46.0	$21.8	111.0%	$4.0	NA
Total Operating Margin	**$330.6**	**$326.1**	1.4%	**$288.8**	14.5%
DD&A	$166.9	$165.8	0.7%	$93.7	78.2%
Operating Income	**$163.7**	**$160.3**	2.1%	**$195.1**	-16.1%
Interest & Debt Expense	$66.6	$64.1	3.9%	$39.7	67.8%
Income Tax Expense	$1.3	($0.4)	NM	$1.1	NM
Net Income	**$52.0**	**$48.5**	7.3%	**$120.6**	-56.8%
General Partner Interest	$50.5	$44.9	12.5%	$40.5	24.7%
Net Income Attributable to NGLS	**$1.6**	**$3.6**	-56.8%	**$80.1**	-98.1%
Average LP Units Outstanding*	185.2	184.8	0.2%	117.1	58.1%
EPU	**$0.01**	**$0.02**	-56.9%	**$0.68**	-98.8%
EBITDA	**$293.0**	**$305.8**	-4.2%	**$258.3**	13.5%
Maintenance Capex	**$29.4**	**$26.7**	10.1%	**$23.6**	24.6%
Distributable Cash Flow (DCF)	**$195.5**	**$220.7**	-11.4%	**$199.3**	-1.9%
LP Coverage	**0.97x**	**1.13x**	-14.8%	**1.67x**	-42.1%
TTM Coverage	**1.18x**	**1.24x**	-4.8%	**1.66x**	-29.0%

Source: NGLS reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

ONE Gas, Inc. (OGS)

- We expect OGS to report 4Q EPS of $0.67, broadly in-line with the $0.69 Street estimate. Our full-year 2015 EPS estimate of $2.16 is driven from a Net Income expectation of $115.3mm, in-line with management's latest $113-118mm FY net income guidance, offered along with 3Q15 results.
- On January 6th, the Oklahoma Corporation Commission adopted the settlement agreement reached by ONG & related parties and recommended by the ALJ authorizing a $30mm base rate increase premised on a 9.5% ROE (the midpoint of the allowed range of 9.0% to 10.0%), 60.5% equity portion, and $1.202B rate base. This approved rate of return is slightly below the average equity returns approved for gas utilities over the last twelve months, according to Regulatory Research Associates. The agreement also provides for the continuation of the performance-based ratemaking (PBR) plan. In addition, the settlement calls for a 59% equity component to be used in the 2017 PBR proceeding with 1% reductions annually thereafter to reach 56% by 2020. New rates became effective January 6, 2016. OGS noted that, though a typical residential customer's monthly bill will increase $2.96 once these new rates are put into effect, depressed natural gas prices may offset some or all of this increase.
- We expect OGS to announce its 2016 financial guidance which typically includes a net income range along with estimated capital expenditures. We expect a projected net income range of $123-$133mm and we formally forecast 2016 net income of $127mm, up ~10% from our projected 2015 net income. We expect that OGS will announce an expected 2016 capital expenditures range of $300-$325mm and note our formal forecast of $315mm for 2016 capital expenditures. Further, we anticipate 70% of these capital expenditures to be used deployed on system integrity and replacement projects.
- January also marks the month in which OGS typically announces dividend raises and we anticipate a 2.5¢ increase in its quarterly cash payout, to 32.5¢ or $1.30 annualized to be communicated this month. This $1.30 level would constitute a 8.3% y/y increase from the $1.20 2015 dividend and, on our anticipated $2.36 2016 EPS, imply a payout ratio of ~55%, the low-end of management's targeted 55%-65% range.

Exhibit 20: OGS 4Q15 Results Preview

Comparison Metrics	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Year-over-Year 4Q14A	
Total Revenue	$532.1	$225.2	136.3%	$514.4	3.5%
Cost of Gas	($302.4)	($54.7)	452.6%	($290.2)	4.2%
Net Margin	$229.7	$170.5	34.7%	$224.2	2.5%
O&M	($112.6)	($98.7)	14.1%	($111.5)	0.9%
Total Operating Income (EBIT)	**$70.6**	**$25.0**	182.9%	**$70.0**	0.8%
Interest & Debt Expense	($11.8)	($11.2)	5.1%	($10.0)	18.6%
Income Tax Expense	($22.2)	($4.6)	380.6%	($22.9)	-3.0%
Net Income	**$35.5**	**$7.4**	382.2%	**$36.6**	-2.9%
EPS	**$0.67**	**$0.14**	382.0%	**$0.69**	-2.6%
Diluted Shares Outstanding	53.1	53.1	0.0%	53.2	-0.3%
Dividend Per Share	**$0.30**	**$0.30**	0.0%	**$0.28**	7.1%
Capital Expenditures ($MM)	**$100.3**	**$74.3**	35.1%	**$72.5**	38.4%

Source: OGS reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

ONEOK Inc. (OKE)

A Look Back to 3Q Earnings
JEFe 3Q DCF: $168mm
Actual 3Q DCF: $173mm

- We expect OKE to report 4Q DCF of ~$164mm, implying dividend coverage of roughly 1.26x, or ~$34mm excess cash available for dividends. Importantly, while we expect OKE to present better 4Q coverage than OKS, total enterprise-wide coverage will trend closer to ~1.08x, approximately flat q/q.

- Management released its initial 2016 guidance in late December. Mgmt. expects dividends to remain flat at OKE in 2016, with no cash taxes and total dividend coverage of 1.3x. For OKS, highlights include: no public equity offerings in 2016 and into 2017, distribution coverage of at least 1.0x in 2016 at current NYMEX future strip pricing, 2016 distributions flat to 2015, and growth capex of $460mm. In the NGL segment, gathered volumes are expected to be between 800-870 MBpd while fractionated volumes are expected to average between 540-590 Mbpd. In the G&P segment, management noted it expects gathered volumes to average between 2,200-2,300 BBtud and processed volumes to average 1,900-2,000 BBtud.

We note ONEOK will likely hold its annual Analyst Meeting sometime in 1Q where mgmt will likely provide more detailed guidance beyond the preliminary figures released in mid-December

- We continue to expect another sequential recovery q/q at OKS in 4Q. **G&P:** With the in-service of the Lonesome Creek facility and close of the Sage Creek acquisition, G&P volumes are expected to show noticeable improvement in 4Q. Modest NGL price improvements (up ~4% q/q net to OKS identified barrel composition) should also contribute to results; according to company presentations OKS hedged ~84% of its ~16 MBbld 4Q equity volumes at ~64¢/gal (~44% higher than 4Q market prices). **NGL:** Mgmt's guidance for gathered & fractionated volumes indicates a continuation of the positive trend realized in 2Q & 3Q, implying growth of ~9.1% & ~10.1% vs. 3Q realizations, respectively. With mgmt indicating another sequential rise in gathered & fractionated volumes, we expect NGL EBITDA to increase to ~$302mm, from the ~$258mm realized in 3Q.

- Prior to 4Q results, we expect OKE to declare 61.5¢/share dividend, implying a flat payout q/q. Of note, mgmt.'s flat dividend growth guidance at OKE implies ~1% growth in 2016 vs. 2015 based on prior increases in 2015.

Exhibit 21: OKE 4Q15 Results Preview

Comparison Metrics	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Year-over-Year 4Q14A	
Operating Income by Division					
ONEOK Partners	$333.2	$287.6	*15.9%*	$300.9	*10.8%*
Other	($3.3)	($2.6)	*NM*	$5.9	*NM*
Total Operating Income	**$329.9**	**$284.9**	*15.8%*	**$306.7**	*7.6%*
Interest & Debt Expense	($111.0)	($106.9)	*3.8%*	($86.5)	*28.4%*
Income Tax Expense	($51.2)	($38.3)	*33.7%*	($56.0)	*-8.6%*
Net Income	**$87.2**	**$86.0**	*1.4%*	**$93.7**	*-7.0%*
Non-controlling interests	($117.6)	($78.7)	*49.5%*	($107.0)	*9.9%*
EPS	**$0.41**	**$0.41**	*1.4%*	**$0.45**	*-7.1%*
Diluted Shares Outstanding	210.5	210.5	*0.0%*	210.3	*0.1%*
Dividend Per Share	**$0.62**	**$0.62**	*0.0%*	**$0.61**	*1.7%*
EBITDA ($MM)	**$337.6**	**$319.5**	*5.6%*	**$316.8**	*6.6%*
Distributable Cash Flow ($MM)	**$163.6**	**$173.0**	*-5.4%*	**$144.0**	*13.6%*
OKE Coverage	**1.26x**	**1.34x**	*-5.9%*	**1.14x**	*10.8%*
ONEOK Enterprise Coverage	**1.14x**	**1.10x**	*3.9%*	**1.10x**	*3.8%*
TTM Coverage	**1.25x**	**1.25x**	*0.3%*	**1.28x**	*NA*

Source: OKE reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

ONEOK Partners (OKS)

A Look Back to 3Q Earnings
JEFe 3Q EBITDA: $408mm
Street est 3Q EBITDA: $407mm
Actual 3Q EBITDA: $404mm

Prior to 4Q results, we expect OKS to announce a cash distribution of 79¢ ($3.16 annualized), flat with 3Q levels.

- We expect OKS to report 4Q15 EBITDA of $455mm, above the Street mean forecast of $435mm. In addition, we project 4Q DCF of ~$336mm, up ~11% q/q. While our 4Q LP coverage forecast is just ~1.01x, we note total ONEOK coverage of ~1.08x given the strong coverage expected (~1.26x) at OKE.
- Mgmt released its initial 2016 guidance in late Dec. For OKS, highlights include: no public equity offerings in 2016 & into 2017, distribution coverage of at least 1.0x in 2016 at current NYMEX future strip pricing, flat 2016 distributions, and growth capex of $460mm. In addition, on 1.11.16, OKS entered into a $1B 3-year unsecured term loan which will be used in-part to repay pending debt maturities (~$1.1B due in 2016). Mgmt also reiterated its intention to stay out of public debt & equity markets "well into 2017". The term loan is priced off OKS's current credit rating, which is LIBOR +130bps. The loan includes a delayed draw feature that allows OKS to draw on it for up to 90 days from 1.8.2016.
- We continue to expect another sequential recovery q/q at OKS in 4Q. **G&P:** With the in-service of the Lonesome Creek facility and close of the Sage Creek acquisition, G&P volumes are expected to show noticeable improvement in 4Q. Modest NGL price improvements (up ~4% q/q net to OKS identified barrel composition) should also contribute to results; according to company presentations, OKS hedged ~84% of its ~16 MBbld 4Q equity volumes at ~64¢/gal (~44% higher than 4Q market prices). **NGL:** Mgmt's guidance for gathered & fractionated volumes indicates a continuation of the positive trend realized in 2Q & 3Q, implying growth of ~9.1% & ~10.1% vs. 3Q realizations, respectively. With mgmt indicating another sequential rise in gathered & fractionated volumes, we expect NGL EBITDA to increase to ~$302mm, from the ~$258mm realized in 3Q.

Exhibit 22: OKS 4Q15 Results Preview

Comparison Metrics	Actual 4Q15A	Quarter-over-Quarter 3Q15E		Year-over-Year 4Q14A	
Operational Performance					
Natural Gas Liquids					
NGL sales (MBbl/d)	714.5	683.0	*4.6%*	666.0	*7.3%*
NGLs fractionated (MBbl/d)	621.3	591.0	*5.1%*	542.0	*14.6%*
NGLs transported-gathering lines (MBbl/d)	821.8	786.0	*4.5%*	607.0	*35.4%*
NGLs transported-distribution lines (MBbl/d)	458.3	456.0	*0.5%*	393.0	*16.6%*
Realized Pricing (Gathering & Processing)					
NGLs ($ per gallon)	0.47	0.31	*50.1%*	0.86	*-45.9%*
Condensate ($ per Bbl)	43.28	42.32	*2.3%*	74.12	*-41.6%*
Residue ($ per MMBtu)	3.60	3.62	*-0.6%*	3.90	*-7.7%*
Financial Performance ($MM)					
Operating Income					
Natural Gas Pipelines	$41.1	$37.9	*8.5%*	$42.1	*-2.3%*
NGL	$249.1	$208.0	*19.7%*	$179.5	*38.8%*
Gathering & Processing	$42.4	$42.1	*0.6%*	$71.7	*-40.9%*
Total Operating Income	**$333.2**	**$287.6**	*15.9%*	**$300.9**	*10.8%*
DD&A	($88.2)	($87.5)	*0.7%*	($79.2)	*11.3%*
Earnings from Unconsolidated Affiliates	$38.5	$32.4	*NM*	$35.2	*9.1%*
Interest & Debt Expense	$86.0	$86.7	*-0.8%*	$70.6	*21.9%*
Income Tax Expense	$3.0	($0.2)	*NM*	$2.7	*NM*
Net Income	**$292.5**	**$227.0**	*28.9%*	**$258.2**	*13.3%*
General Partner Interest	$107.2	$105.1	*2.0%*	$94.5	*13.4%*
Net Income Attributable to OKS	**$185.3**	**$121.9**	*52.0%*	**$163.6**	*13.2%*
Average LP Units Outstanding	285.8	272.0	*5.1%*	251.4	*13.7%*
EPU	**$0.65**	**$0.45**	*44.7%*	**$0.65**	*-0.4%*
EBITDA ($MM)	**$455.2**	**$403.7**	*12.8%*	**$410.4**	*10.9%*
Distributable Cash Flow (DCF) in $MM	**$336.3**	**$302.8**	*11.1%*	**$301.0**	*11.7%*
LP Coverage	**1.01x**	**0.92x**	*10.3%*	**1.04x**	*-2.9%*
TTM LP Coverage	**0.86x**	**0.81x**	*6.5%*	**1.10x**	*-21.5%*

Source: OKS reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Plains All American Pipeline (PAA)

A Look Back to 3Q Earnings
JEFe 3Q EBITDA: $485mm
Street est 3Q EBITDA: $504mm
Actual 3Q EBITDA: $497mm

- We expect PAA to report 4Q15 EBITDA of $581mm, below the Street's $604mm mean estimate. In addition, we forecast 4Q DCF of $390mm, also below the Street's $421mm mean estimate. We expect LP coverage to be up slightly q/q at ~0.85x (~0.79x on a TTM basis). In conjunction with its 2016 & 2017 outlook update, mgmt highlighted 4Q15 EBITDA would be in between the mid-point and low-end of its 4Q15 guidance range ($565-$625mm).
- Earlier this week, PAA announced an agreement to sell ~$1.46B of 8% perpetual convertible preferred units for $25.26/unit. According to mgmt, the private offering will allow PAA to remain out of the equity market through the majority of 2017. In addition, mgmt provided a capital outlook update including EBITDA forecasts and budgeted growth capex targets. Specifically, mgmt expects 2016 & 2017 EBITDA and growth capex of ~$2.2B & ~$2.645B and $1.5B & $500mm, respectively. Underpinning mgmt's y/y EBTIDA growth includes 1) new in-service projects inclusive of MVCs and 2) rising crude prices through the years ($60/Bbl by 4Q16 and ~$70/Bbl by 2H17).
- As crude basis spreads were flat and backwardated q/q, we anticipate PAA to miss its Supply & Logistics segment profit guidance in 4Q, the first time we have on record (1Q11). While PAA has a history of sharp outperformance vs. quarter-ahead S&L expectations (avg. ~35%) over the last 19 quarters, relative to mgmt segment profit guidance of ~$162-$198mm in 4Q, we anticipate a sharp ~15% mid-point miss and below the low-end of the range provided. Moreover, the USD/CAD exchange rate fell again in 4Q as the average CAD/USD spot rate of $1.34 worsened by ~2.0% q/q and ~17.6% y/y; this currency movement may pose a headwind to Facilities results. We also note that the current spot CAD/USD is $1.42, posing a further headwind for Facilities in 2016.
- Earlier this year, PAA brought into service the Cactus pipeline, a ~$360mm crude pipeline with capacity to transport ~200 MBbld of crude oil from McCarney, TX to Gardendale, TX. As pipelines generally take several years to ramp to full capacity, this asset will likely prove to be a driving factor in the sequential improvement in Transportation earnings over future periods. We currently forecast Transportation segment profit to increase ~7.5% q/q and ~1% y/y.

Guidance Metric	4Q15E	JEFe 4Q15	% Diff
Segment Profit As of	**Guidance**		**4Q15**
Net Revenues	$1,000	$1,067	6.7%
Field Operating Costs	$144	[illegible]	11.7%
SG&A	$71	$99	40.6%
Operating Profit	**$586**	**$604**	**3.1%**
D&A	$114	$110	-3.1%
Interest Expense	$109	$117	7.3%
Income Tax	$33	$39	18.3%
Other	$0	$34	NA
Minority Interest	$1	$4	NA
Net Income	**$329**	**$368**	**11.9%**
Avg Basic Units Outstanding	398	398	0.0%
Avg Diluted Units Outstanding	399	399	0.0%
Adjusted Segment Profit			
Transportation	$275	$272	-1.1%
Facilities	$140	$136	-3.0%
Supply & Logistics	$180	$153	-15.0%
Adjusted EBITDA	$595	$581	-2.4%
Adjusted Net Income to PAA	$338	$311	-8.1%
Implied DCF	$405	$390	-3.6%

On January 12th, PAA & PAGP declared flat 4Q distributions of 70¢ & 23.1¢

Exhibit 23: PAA 4Q15 Results Preview

Comparison Metrics	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Year-over-Year 4Q14A	
Operating Income ($MM)					
Transportation	$272.1	$253.0	7.5%	$270.0	0.8%
Facilities	$135.8	$148.0	-8.2%	$151.0	-10.1%
Supply & Logistics	$153.0	$95.0	61.1%	$173.0	-11.5%
Other	($14.0)	($54.0)	NM	$36.0	NM
Operating Income	**$546.9**	**$442.0**	23.7%	**$630.0**	-13.2%
DD&A	$110.4	$109.0	1.3%	$100.0	10.4%
Interest & Debt Expense	$116.1	$107.0	8.5%	$93.0	24.8%
Income Tax Expense	$39.2	$17.0	NA	$81.0	-51.6%
Net Income	**$311.6**	**$249.0**	25.1%	**$389.0**	-19.9%
General Partner Interest	$154.1	$150.0	2.7%	$136.0	13.3%
Net Income Attributable to PAA	**$157.4**	**$99.0**	59.0%	**$253.0**	-37.8%
Average LP Units Outstanding	399.0	399.0	0.0%	375.0	6.4%
EPU	**$0.39**	**$0.25**	59.0%	**$0.67**	-41.5%
EBITDA ($MM)	**$580.9**	**$497.0**	16.9%	**$594.0**	-2.2%
Distributable Cash Flow (DCF) in $MM	**$391.3**	**$338.0**	15.8%	**$414.0**	-5.5%
LP Coverage	**0.85x**	**0.67x**	26.8%	**1.10x**	-22.9%
TTM LP Coverage	**0.79x**	**0.77x**	2.6%	**1.11x**	-28.5%

Source: PAA reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Spectra Energy Corp. (SE)

A Look Back to 3Q Earnings
JEFe 3Q EBITDA: $570mm
Street est. 3Q EBITDA: $630mm
Actual 3Q EBITDA: $593mm

In Feb. 2015 SE outlined $3mm of net income sensitivity & $4mm of DCF sensitivity for every 1¢ move in the USD/CAD

SE will hold an analyst conference the day following earnings. As is true with prior analyst days, SE will likely provide FY guidance in the meeting

- We expect SE to report 4Q EBITDA of $644mm, below the $752mm Street mean estimate. Calculated consistent with peers, we project 4Q DCF of ~$154mm.
- The currency exchange fell again in 4Q, as the average 4Q CAD/USD spot rate of $1.34 worsened by ~2.0% q/q and ~17.5% y/y. SE has provided sensitivities to this rate, outlining $4mm of DCF & $3mm of net income impact for each 1¢ move in the exchange. With a current rate of $1.43, 28¢ above SE's guidance, we see NI & DCF headwinds into 2016.
- We expect mgmt to provide updates on its key growth initiatives along with 4Q results. As the formal FERC filing for NEXUS was filed in mid-November but the project continues to meet local resistance, we anticipate progress on this project to be addressed. Also of interest is the current status of the Access Northeast initiative, which is a $3B joint development with Eversource and National Grid to provide incremental gas supplies to constrained markets in New England.
- On September 9th, PSX & SE, 50/50 owners of DCP Midstream LLC, DPM's GP, announced a nonbinding letter of intent to contribute cash & assets to DCP Midstream, LLC in order to improve its leverage & strengthen its operational footing. Under the agreement, which was executed on October 30th, SE contributed 33% interests in the Sand Hills and Southern Hills NGL pipelines & PSX contributed $1.5B in cash. The cash was used to pay down DCP LLC's credit facility and the asset contribution is intended to complement the franchise's efforts to reduce costs, divest non-core assets, and convert commodity price sensitive contracts to fee-based structures. SE & PSX remain 50/50 owners of DCP Midstream LLC. As part of the transaction, SE agreed to retire 21.56mm SEP LP units, retire 440K GP units, and provide IDR forgiveness in the amount of $4mm per quarter beginning in 1Q16 and ending in 4Q18.
- On Jan. 5th, SE announced a 14¢ increase in its annual dividend, to $1.62/share, consistent with the dividend growth guidance it had outlined at its 2015 analyst day. We expect mgmt. to offer greater color on its operational & financial plans at its 2016 analyst day on Feb 4th in NYC.

Exhibit 24: SE 4Q15 Results Preview

Recurring EBITDA by Division	JEFe 4Q15E	Quarter-over-Quarter 3Q15E		Year-over-Year 4Q14A	
Spectra Energy Partners (SEP)	$472	$488	-3.2%	$444	6.4%
W. Canada Transmission & Processing	$112	$114	-2.1%	$190	-41.3%
Gas Distribution	$100	$70	42.9%	$132	-24.2%
Field Services (DCP)	($19)	($29)	35.7%	($18)	3.5%
Other	($21)	($12)	75.0%	$2	1150.0%
Total Segment EBITDA	**$644**	**$631**	2.1%	**$750**	-14.1%
Depreciation	($185)	($188)	-1.7%	($196)	-5.7%
Interest Expense	($172)	($155)	11.3%	($158)	9.2%
Interest Income & Other	$1	($4)	NM	($5)	NM
Minority Interest	($73)	($69)	5.3%	($58)	25.3%
Income Tax Benefit (Expense)	($52)	($62)	-16.9%	($65)	-20.8%
Recurring Net Income	**$164**	**$153**	7.0%	**$464**	-64.7%
Avg Diluted Shares Outstanding	672	672	0.0%	672	0.0%
Earnings Per Diluted Share	**$0.24**	**$0.23**	7.0%	**$0.69**	-64.7%
Reported EBITDA	**$644**	**$631**	2.1%	**$750**	-14.1%
Dividend Per Share	**$0.37**	**$0.37**	0.0%	**$0.37**	0.0%
DCF (peer-consistent calc)	**$154**	**$190**	-18.8%	**$281**	NA
Capital Expenditures	**$1,388**	**$828**	67.6%	**$599**	131.7%
Cash Dividends from DCP	**$0**	**$0**	NM	**$58**	NM

Source: SE reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Spectra Energy Partners (SEP)

A Look Back to 3Q Earnings
JEFe 3Q EBITDA: $418mm
Street est. 3Q EBITDA: $437mm
Actual 3Q EBITDA: $457mm

- We expect SEP to report 4Q15 EBITDA of $449mm, in-line with the Street's $451mm mean estimate. In addition, we project 4Q DCF of $271mm, implying 4Q LP coverage of ~1.17x & a TTM LP coverage of ~1.30x.
- On December 17th, FERC granted SEP authorization for its Gulf Markets expansion project, which is expected to add 500 MMcf/d of capacity along SEP's Texas Eastern pipeline with an in-service date of 2H16. In early December, SEP entered into an agreement with a bank syndicate to sell $1B worth of common units; we currently project an equity raise of $750mm at SEP in 2016 and expect it will be filled through the use of its ATM facility.
- In a joint press release in early September, SE & PSX announced the signing of a nonbinding LOI to contribute assets to strengthen the balance sheet of their JV, DCP Midstream LLC. SE agreed to contribute SEP's ownership interests in the Sand Hills & Southern Hills NGL pipelines, after having previously dropped these interests to SEP in 2013 as part of its wholesale US pipeline dropdown. As part of the transaction SE agreed to retire SEP units and provide IDR waivers to keep SEP whole and management reaffirmed SEP's distribution growth guidance of 8-9% annually through 2017. As part of the transaction, SE agreed to retire 21.56mm SEP LP units, retire 440K GP units, and provide IDR forgiveness in the amount of $4mm per quarter beginning in 1Q16 and ending in 4Q18.
- We expect mgmt to provide updates on its key growth initiatives along with 4Q results. As the formal FERC filing for NEXUS was filed in mid-November but the project continues to meet local resistance, we anticipate progress on this project to be addressed. Also of interest is the current status of the Access Northeast initiative, which is a $3B joint development with Eversource and National Grid to provide incremental gas supplies to constrained markets in New England.
- We expect SEP to announce a 1.25¢/unit (+2% q/q, +8.5% y/y) distribution increase, bringing its quarterly payout to 63.88¢/unit ($2.56 annualized).

Exhibit 25: SEP 4Q15 Results Preview

Operating Results	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Year-over-Year 4Q14A	
Operating Revenues	$632.6	$612.0	3.4%	$599.0	5.6%
Operating Expenses	$306.2	$293.0	4.5%	$300.0	2.1%
Operating Income	$326.5	$319.0	2.3%	$322.0	1.4%
Total EBIT	$373.7	$391.0	-4.4%	$351.0	6.5%
Net Interest Expense	$65.2	$59.0	10.4%	$55.0	18.5%
Income Tax Expense (Benefit)	$4.9	$1.0	389.7%	$6.0	-18.4%
Minority Interest	$6.9	$10.0	-31.1%	$7.0	-1.5%
GP Interest	$66.0	$66.0	0.0%	$65.2	1.3%
Net Income Attributable to LP	**$230.8**	**$255.0**	**-9.5%**	**$217.8**	**5.9%**
Limited Partner Units Outstanding	283.4	301.0	-5.9%	293.0	-3.3%
Earnings Per LP Unit	**$0.81**	**$0.85**	**-3.9%**	**$0.74**	**9.5%**
SEP Reported EBITDA	**$449.4**	**$467.0**	**-3.8%**	**$424.0**	**6.0%**
JEF Adjusted EBITDA	**$442.5**	**$457.0**	**-3.2%**	**$417.0**	**6.1%**
Distributable Cash Flow (DCF)	**$271.1**	**$270.0**	**0.4%**	**$245.0**	**10.6%**
LP Coverage	**1.17x**	**1.09x**	**6.8%**	**1.12x**	**4.0%**
TTM LP Coverage	**1.30x**	**1.33x**	**-2.5%**	**1.17x**	**10.8%**

Source: SEP reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Questar Corp. (STR)

A Look Back to 3Q Earnings
JEFe 3Q EPS: $0.19
Street est.3Q EPS: $0.18
Actual 3Q EPS: $0.18

- We expect STR to report 4Q15 EPS of $0.40, in-line with the Street's $0.39 mean estimate. We also project that STR will report 4Q EBITDA of ~$189mm. For the full-year 2015, we expect EPS of $1.29 and EBITDA of ~$642mm.
- In late November, STR announced it had received approval from the UT & WY PSC's to include the Canyon Creek acquisition in the Wexpro II investment base. In addition, regulators also approved pre-announced proposed changes to the cost-of-service model as originally established by the Wexpro Agreement. Under the previous versions of both Wexpro I & II Agreements, Wexpro was authorized to receive an approximate 20% return on its development drilling expenditures for cost-of-service gas provided to Questar Gas customers. With the changes, the rate of return on all post-2015 development expenditures will be lowered to the commission-allowed Questar Gas rate of return, presently 7.64%. In addition, Wexpro will now expense the cost of dry-hole and non-commercial wells and share these costs 50/50 with Questar Gas customers (limited to 4.5% of annual development drilling costs); these costs were previously borne solely by Wexpro. Wexpro will also share upside on a 50/50 basis with the utility when Wexpro's annual weighted-average cost-of-service gas is less than the price of the utility's purchased gas, but Wexpro will not earn a return exceeding that earned under the original 1981 agreement. The final stipulation states that Wexpro will reduce the maximum combined production from its properties to 55%, from 65%, of Questar Gas' annual forecasted demand by 2020.
- With 2Q results, mgmt. announced that it was unable to find a suitable rail site to support its proposed ICE project in Southern CA and indefinitely delayed the project. Mgmt had guided a YE15 timeline for a decision on the broader S. Trails pipeline and we expect an update with 4Q results, if not sooner.
- Along with 4Q results, we expect STR to provide a 2016 financial outlook and presently expect EPS guidance of $1.25-$1.35 and a capex target of ~$350mm. Our formal 2016 EPS forecast of $1.31 indicates only modest dividend upside as the current 21¢ quarterly cash payout (84¢ annualized) already represents an implied ~64% payout ratio, near management's 65% target.

Exhibit 26: STR 4Q15 Results Preview

Comparison Metrics	Actual 4Q15A	JEF Expectations 4Q15E		Year-over-Year 4Q14A	
Wexpro					
Investment Base	$673.5	$616.5	9%	$649.0	4%
Wexpro EBIT	$41.6	$40.7	2%	$41.8	0%
Questar Pipeline					
Transportation Volumes	210.7	205.2	3%	208.6	1%
NGL Sales (Mmgal)	1.82	1.30	40%	1.18	55%
NGL Sales price (per gal)	$0.53	$0.47	13%	$0.90	-41%
Pipeline EBIT	$30.9	$28.8	7%	$28.3	9%
Questar Gas					
Volumes (MMdth)	56.3	28.6	97%	54.2	4%
Distribution EBIT	$50.9	($8.9)	-672%	$48.8	4%
Interest Income & Other Expenses	$1.2	$1.3	-12%	$1.6	-28%
Earnings of Unconsolidated Affiliates	$0.9	$0.9	-6%	$0.8	6%
Total EBIT	$126.7	$64.4	97%	$114.1	11%
Interest Expense	$16.5	$15.7	5%	$15.8	4%
Income Taxes	$40.2	$16.2	149%	$35.8	12%
Effective Tax Rate	36.5%	33.5%	9%	36.4%	0%
Net Income	**$70.0**	**$32.5**	115%	**$62.5**	12%
Average Diluted Shares	175.2	176.3	-1%	176.2	-1%
EPS	**$0.40**	**$0.18**	116%	**$0.35**	13%
Cash Flow from Operations	$99.2	$62.8	58%	$81.1	22%
CAPEX	$106.3	$86.4	23%	$83.8	27%

Source: STR reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Sunoco LP (SUN)

A Look Back to 3Q Earnings

JEFe 3Q EBITDA: $121mm
Street est 3Q EBITDA: $104mm
Actual 3Q EBITDA: $149mm

- We expect SUN to realize respective 4Q15 EBITDA and DCF of $144mm & $96mm, well in excess of the Street's $122mm EBITDA and $69mm mean DCF estimates. Our current DCF forecast implies an LP coverage ratio of ~1.14x on an estimated quarterly payout of 80.13¢/unit implying a 7.5% q/q growth rate.
- A week following 3Q15 earnings, ETP announced the drop-down of 100% of Sunoco Inc. & the remaining 68.42% of Sunoco LLC to SUN for ~$2.226B. SUN plans to finance the transaction, and an associated ~$575mm net revolver repayment, via a $2.035B committed term loan & private ~$945mm SUN LP unit placement (~$685mm public holders, ~$65mm ETE; ~$195mm ETP); we anticipate SUN will have ~$300mm drawn on its $1.5B revolving credit facility following the deal. On December 3rd, SUN raised $685mm of equity at $28.50/unit as part of the pre-announced private placement, issuing ~24mm units. In addition, on January 1st, mgmt converted its existing Class A units to Class C units (~11mm units) and issued ~5mm Class C units from the Aloha acquisition which, going forward, will realize a ~$14mm/qtr cash consideration (~9% yield per annum).
- Despite cash crude prices declining by ~9% q/q, according to peer distributor CST, US retail margins sequentially decreased, thus likely also crimping SUN 4Q margins. Our estimated retail, wholesale third party, and wholesale affiliated margin per gallon assumptions for 3Q are 29¢ (-15% q/q), 11¢ (-12% q/q), and 4.0¢ (flat q/q), respectively. In aggregate, we anticipate SUN will realize average gross profit per gallon of ~12.5¢/gal (-18% q/q).
- Along with 3Q results, we expect SUN to declare an 81.3¢/unit distribution, ~7.5% increase q/q & ~34% y/y. The raise would be the third raise in the 50% IDR threshold and will continue to give ETE greater claim to SUN cash flows. Specifically, while the GP will only receive ~10% of all distributed cash in 2Q15, we expect that number to rise to ~18% in4Q, and, through 2019, we project the GP will realize >25% of all SUN distributed cash.

Exhibit 27: SUN 4Q15 Results Preview

Comparison Metrics	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Year-over-Year 4Q14A	
Segment Results (Gross Profit)					
Retail Motor Fuel Sales	$105	$114	-7.8%	$25	NM
Motor Fuel to 3rd Parties	$134	$76	76.0%	$33	NM
Motor Fuel Sales to Affiliates	$13	$11	11.8%	$9	NM
Merchandise	$146	$143	2.6%	$10	NM
Other/Sunoco Inc.	$34	$38	-8.5%	$15	NM
Gross Profit	**$432**	**$381**	13.3%	**$93**	363.5%
Interest & Debt Expense	$30	$29	4.5%	$7	349.1%
Income Tax Expense	$8	$29	NM	$2	NM
Minority Interest	$63	($12)	NM	$1	NM
Net Income	**$47**	**$40**	18.3%	**$34**	36.1%
General Partner Interest	$17	$12	39.0%	$1	1772.0%
Net Income Attributable to LP	**$30**	**$28**	9.2%	**$33**	-10.1%
Average LP Units Outstanding	82.3	54.7	50.5%	34.7	137.4%
EPU	**$0.37**	**$0.50**	-27.4%	**$0.96**	-62.1%
EBITDA ($MM)	**$144**	**$149**	-2.9%	**$65**	123.6%
Distributable Cash Flow (DCF) in $MM	**$96**	**$112**	-14.3%	**$50**	92.9%
LP Coverage	**1.14x**	**2.20x**	-48.3%	**2.36x**	-51.7%
TTM LP Coverage	**1.38x**	**1.88x**	-26.7%	**1.64x**	-16.1%

Source: SUN reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Southwest Gas Corp. (SWX)

- We forecast SWX to report 4Q15 EPS of $1.32, in-line with the Street's $1.32 mean estimate. We note that SWX's 1H15 results were negatively affected by adverse weather conditions & the booking of a loss reserve for a short-duration Canadian industrial project at Centuri; we realize that no formal outcome came of the Nov. mediation regarding the loss reserve & look forward to an update on the reserve with 4Q results; have assumed some modest loss recovery in 4Q.
- On January 6, 2016, FERC allowed Paiute Pipeline Co. to put its natural gas transportation project in Elk County, NV into service. This expansion is a 35.2 mile 8-inch pipeline with ~22MDth/d of capacity. This expansion will allow the Paiute Pipeline Co. to provide incremental firm transportation service to SWX's northern Nevada utility service area as well as Newmont Mining Corp. FERC's approval was granted after it found that SWX was doing a satisfactory job in stabilizing and restoring construction areas around the pipelines right of way.
- On October 13, 2015, SWX's Board of Directors instructed management to evaluate & pursue a holding company reorganization. Pre-approvals for the reorganization have been sent to the Arizona Corporation, the California Public Utilities Commission, and the Public Utilities Commission of Nevada. As a result of the reorganization, Southwest would become the wholly owned subsidiary of a new parent holding company based in California. Southwest's 96.6% interest in Centuri would also be held by the holding company. This reorganization is designed to further separate SWX's regulated and unregulated business while also increasing its financial flexibility. Under the terms of the reorganization each outstanding share of SWX common stock would automatically convert into a share of the holding company on a one-for-one basis. This reorganization does not need shareholder approval and will likely become effective in 2H16, given a smooth regulatory approval process.
- February marks the month in which SWX typically announces dividend raises and we anticipate a 4.5¢ increase in its quarterly cash payout, to 45¢ or $1.80 annualized to be communicated this month. This $1.80 level would constitute a 2016 paid dividend of $1.755, an 11.1% y/y increase from the $1.58 paid in 2015 and, on our anticipated $3.06 2016 EPS, imply a payout ratio of ~57%, within mgmt's identified 55-65% range.

Exhibit 28: SWX 4Q15 Results Preview

Operating Results	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Year-over-Year 4Q14A	
Utility Segment					
Total Revenues	$393	$219	79%	$398	-1%
Cost of Gas	(132.8)	(64.3)	107%	(143.0)	-7%
Gross Profit	$259.7	$155.2	67%	$255.1	2%
Construction Segment					
Total Revenues	$241.9	$286.0	-15%	$229.6	5%
Construction Expenses	($206.8)	($246.8)	-16%	($203.1)	2%
Gross Profit	$35.1	$39.2	-11%	$26.5	32%
O&M	$96.6	$100.1	-3%	$90.3	7%
Depreciation & Amortization Expenses	$67.4	$66.5	1%	$65.9	2%
Taxes other than income	$12.1	$11.7	3%	$13.0	-7%
Operating Income	**$118.7**	**$16.1**	**NM**	**$112.4**	**6%**
Other Income	($0.2)	$0.2	NM	($0.2)	NM
Interest Expense	$18.8	$18.4	2%	$19.8	-5%
Income Taxes	$37.0	($1.7)	NM	$35.8	3%
Net Income (Loss)	**$62.7**	**($0.3)**	**NM**	**$56.5**	**11%**
Average # of Diluted Shares Outstanding	47.4	47.1	1%	47.0	1%
Recurring EPS	**$1.32**	**($0.02)**	**NM**	**$1.20**	**10%**

Source: SWX reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Sunoco Logistics Partners (SXL)

A Look Back to 3Q Earnings
JEFe 3Q EBITDA: $251mm
Street est 3Q EBITDA: $286mm
Actual 3Q EBITDA: $312mm

We expect SXL to announce a 2.1¢/unit distribution increase in 4Q, bringing the quarterly distribution to 47.9¢/unit, up ~4.6% q/q and ~19.8% y/y.

In addition, as seen in years past, SXL will likely provide FY distribution growth guidance in conjunction with 4Q earnings. We are currently forecasting y/y distribution growth of ~10%.

- We expect SXL to realize 4Q15 EBITDA & DCF of $299mm & $217mm, in-line with the Street's $304mm EBITDA estimate & its $229mm mean DCF estimate. Our current DCF forecast implies an LP coverage ratio of just ~1.03x. We note 3Q is generally a 'shoulder quarter' for SXL given the seasonally weaker butane blending realizations and highlight the y/y improvement of SXL's 'blue bar' EBITDA therefore expect a modest sequential q/q improvement in Terminals.
- Segment Considerations:
  - **Pipelines:** According to management, Permian Express 2 (PE2) began operations during the 3rd quarter, and, while typically pipelines of that size (~200 MBbld) take several months or years to ramp to full capacity, PE2 ramped at a "high utilization from the start". With no new expected crude projects anticipated to begin in 4Q, we assume EBITDA will decline ~4% q/q as opex will likely sequentially rise.
  - **Products Pipelines:** As of November 5th, SXL was preparing for the start-up of refrigeration and ethane capability at Marcus Hook, which will bring the capacity of ME1 up to ~70 MBbld. According to mgmt, pipeline commissioning began in December therefore we expect little to no sequential EBITDA improvement through 4Q.
- While SXL has no direct price exposure, we assume its Acquisition & Marketing operations will have meaningfully lower margins given diminished spread volatility & backwardation present in the quarter. We note crude basis spreads modestly tightened in aggregate q/q, in particular the LLS/WTI spreads. We believe SXL's A&M segment EBITDA will be ~$0mm, roughly flat q/q.

Exhibit 29: SXL 4Q15 Results Preview

Comparison Metrics	JEFe 4Q15E	JEF Expectation 3Q15E		Year-over-Year 4Q14A	
Operating Results					
Crude Oil Pipelines					
Pipeline Throughput (MBbl/d)	2,411	2,395	0.7%	2,122	13.6%
Pipeline Revenue per Bbl	83.3¢	81.7¢	2.0%	72.7¢	14.6%
Crude Oil Acquisition & Marketing					
Crude Oil Purchases (MBbl/d)	991	811	22.1%	903	9.7%
Gross Profit per Bbl	5.1¢	5.1¢	0.0%	57.8¢	-91.2%
Terminals Facilities					
Terminal Throughput (MBbl/d)	2,203	2,170	1.5%	1,821	21.0%
Refined Products Pipelines					
Pipeline Throughput (MBbl/d)	873	666	31.1%	554	57.6%
Segment Results (Adjusted EBITDA)					
Crude Oil Pipelines	$128	$133	-3.9%	$85	50.4%
Crude Oil Acquisition and Marketing	$0	($1)	NM	$32	-99.5%
Terminals Facilities	$107	$96	11.0%	$102	4.4%
Refined Products Pipelines	$60	$61	-1.1%	$18	235.1%
Operating Income	**$183**	**$203**	-10.0%	**$151**	20.9%
Interest & Debt Expense	$41	$37	10.5%	$16	155.6%
Income Tax Expense	$7	$7	NM	$4	NM
Net Income	**$134**	**$159**	-15.4%	**$131**	2.6%
General Partner Interest	$85	$74	15.3%	$50	70.6%
Net Income Attributable to LP	**$49**	**$85**	-42.2%	**$81**	-39.3%
Average LP Units Outstanding	267.9	255.0	5.1%	222.4	20.5%
EPU	**$0.18**	**$0.33**	-44.9%	**$0.36**	-49.6%
EBITDA ($MM)	**$299**	**$289**	3.4%	**$237**	26.1%
Distributable Cash Flow (DCF) in $MM	**$217**	**$210**	3.3%	**$177**	22.6%
LP Coverage	**1.03x**	**1.15x**	-10.6%	**1.40x**	-26.7%
LP Coverage (ex-Crude A&M)	**1.02x**	**1.16x**	-11.6%	**1.04x**	-1.4%
TTM LP Coverage	**1.28x**	**1.35x**	-5.6%	**1.80x**	-29.2%

Source: SXL reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Targa Resources Corp (TRGP)

A Look Back to 3Q Earnings
JEFe 3Q DCF: $53mm
Actual 3Q DCF: $54mm

We expect the NGLS/TRGP merger to close in 1Q16 and, based on our $26 pro-forma TRGP price target, we believe shares offer an attractive risk/reward skew and are upgrading TRGP units to Buy, from Hold, on valuation. In a pro-forma structure, we believe TRGP can sustain its current 91¢/qtr ($3.64/annualized) dividend through 2017 under current commodity strips without the need for equity capital or breaching TRP debt covenants. Moreover, the Targa entities have no debt maturities before 2018. This is a prolonged fairway in which investors will be paid a considerable sum and during which commodity prices / energy market conditions may improve.

- We expect TRGP to report 4Q15 DCF of ~$50mm, implying ~0.94x coverage. This is the final quarter we expect TRGP & NGLS to report independently and believe investor focus this cycle will be center on the merger and future outlook.
- According to the EIA's weekly petroleum data, average 4Q US propane exports rose ~136 MBbld q/q, up ~25% from 3Q levels. While the sequential rise bodes well for NGLS's Logistics' operations, we note the rise in exports could be driven in part by Mariner South's start up in January & EPD's 50 MBbld incremental expansion at its Houston Ship Channel facility in April. Our downstream operating margin expectation for 4Q15 is ~$162mm, down ~15% y/y, while our FY 2015 expectation of ~$681mm is off ~2% y/y.
- On Nov. 3rd, along with 3Q results, TRGP announced the acquisition of NGLS in a unit-for-stock exchange at a ratio of 0.62 TRGP shares for 1.0 NGLS LP units; at the time, the terms represented an ~18% premium to NGLS 10-day VWAP. Deal close is dependent on successful majority votes of both the NGLS unitholders & TRGP shareholders. The ~16mm NGLS LP units owned by TRGP are to be voted in favor on the deal & a 1Q16 close has been targeted. While the roll-up of NGLS will permit TRGP to reduce its total cash outlay (~$175mm dividend savings on current annualized payouts) & extend its favorable cash tax position, the continued decline in commodity prices poses a cash flow drag for Targa.
- Following our August downgrade of TRGP to Underperform, we upgraded the stock in December, to Hold on valuation. Given a further deterioration in share price, we are upgrading TRGP to Buy, from Hold, and maintaining our $26 PT (derived via EV/EBITDA, P/E, and DCF). While challenges remain amid lower commodity & equity prices, at current levels we see a more constructive risk/reward profile given: 1) the NGLS merger will permit TRGP to reduce its total cash outlay (~$175mm dividend savings on current annualized payouts), 2) extension its favorable cash tax position, 3) no near-term debt maturities, 4) significant current yield (~21%) with no near-term equity capital needs.

Exhibit 30: TRGP 4Q15 Results Preview

Comparative Metrics	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Year-over-Year 4Q14A	
Operating Margin ($MM)					
Field Gathering & Processing	$117.5	$132.6	-11.4%	$82.5	42.4%
Coastal Gathering & Processing	$4.9	$7.9	-37.8%	$10.8	-54.5%
Logistics Assets	$102.1	$103.6	-1.5%	$121.3	-15.8%
Marketing & Distribution	$60.1	$60.2	-0.1%	$70.2	-14.3%
Corp & Other	$46.0	$21.8	NA	$4.0	NA
Total Operating Margin	**$330.6**	**$326.1**	1.4%	**$288.8**	14.5%
DD&A	$165.8	$165.8	0.0%	$97.9	69.4%
Operating Income	**$125.3**	**$107.1**	17.0%	**$95.0**	31.9%
Interest & Debt Expense	$76.2	$70.4	8.2%	$40.6	87.6%
Income Tax Expense	$10.6	$24.0	-55.8%	$14.4	-26.3%
Minority Interest Expense	$8.3	$8.1	2.0%	$66.9	-87.6%
Net Income Attributable to TRGP	**$38.5**	**$12.7**	203.2%	**$40.0**	-3.7%
Average Shares Outstanding*	56.1	56.1	0.0%	42.1	33.3%
EPU	**$0.69**	**$0.23**	203.2%	**$0.95**	-27.8%
Total Distributions from NGLS	$61.5	$61.4	0.1%	$51.6	19.2%
G&A Expense	($2.3)	($2.0)	15.0%	($1.2)	91.7%
Interest Expense	($9.5)	($5.5)	73.5%	($0.9)	960.1%
Current Cash Tax Expense	($2.2)	($2.8)	-20.2%	($12.1)	-81.5%
Other	$2.3	$2.6	-11.5%	$0.1	2200.0%
Distributable Cash Flow ($MM)	**$49.7**	**$53.7**	-7.5%	**$37.5**	32.6%
EBITDA ($MM)	**$291.1**	**$272.9**	6.7%	**$192.9**	50.9%
Coverage Ratio	**0.94x**	**1.06x**	-11.0%	**1.15x**	-18.5%

Source: TRGP reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

UGI Corp (UGI)

A Look Back to F4Q Earnings
JEFe F4Q EPS: ($0.06)
Street est. F4Q EPS: ($0.03)
Actual F4Q EPS: $0.01

- We expect UGI to report F1Q EPS of $0.58 ex-items, below the Street's $0.78 mean projection. F1Q is usually a relatively strong quarter due to the seasonal nature of the distribution business; however, the widespread weakness in F1Q temperatures we believe will hinder results. We now project F16 EPS of $2.03.
- The average F1Q Mt. Belvieu propane price rose ~2.0% q/q, to ~41.5¢/gallon, as moderating production growth and increasing exports took effect. Average US propane inventories were 10% higher y/y in F1Q & also 53% above the corresponding 5-year F1Q average. Rising wholesale prices can create margin headwinds for APU if it is slow to pass through price increases to customers and customers consume less given the cost of consumption has increased; we note that heating degree days (HDDs) across the US were down 19% in 4Q versus the same period in 2014 and were ~24% below the long-term October-December average. Though Mt. Belvieu propane prices were up slightly q/q, they were down ~45% y/y which we believe may incent increased consumption in the qtr.
- In November UGI announced Roger Perreault had been appointed President of UGI International; Mr. Perrault joints the company from Air Liquide, where he spent 21 years in a variety of leadership roles. Perreault will lead the M&A activities in Europe and be responsible for UGI's global LPG supply strategy.
- UGI senior management visited our office in late December, where they discussed ongoing operations at UGI & APU as well as major industry themes. Highlights include: an evolving LPG landscape in Europe with more access to a variety of supply sources, which leaves the company less reliant on Russian and Kazakhstan for LPG volumes; an International business that is much better positioned to execute on major capital projects than it was 5-7 years ago; expected 15¢ EPS accretion from the Total acquisition; and the likely filing of a UGI Utilities rate case for the first time in nearly 20 years.
- UGI issued initial F2016 EPS guidance along with F4Q15 results, indicating expected F16 EPS of $2.15-$2.30. This guidance assumes normal weather in F16 and will likely be at risk for future downward revisions if the warmer weather YTD persists in F2Q. We note that warmer y/y F1Q weather was experienced across all UGI business segments; hence, our below-consensus F1Q EPS view.

Exhibit 31: UGI F1Q16 Results Preview

Recurring Operating Income	JEFe F1Q16E	Quarter-over-Quarter F4Q15A		Year-over-Year F1Q15A	
Operating Income ($MM)					
AmeriGas Propane	$144.0	($9.8)	NM	$139.7	3.1%
Utilities	$62.9	$0.3	NM	$71.8	-12.4%
Midstream & Marketing	$32.7	$18.8	NM	$45.5	-28.2%
International Propane	$66.7	$4.5	NM	$53.5	24.7%
Corporate & Other	($16.5)	($10.7)	NM	($227.1)	92.7%
Total Operating Income	**$289.7**	**$3.1**	**NM**	**$85.9**	**NM**
Income (Loss) from Equity Investees	($0.1)	($0.1)	NM	($1.0)	NM
Interest Expense	($58.5)	($57.2)	2.3%	($59.0)	-0.9%
Other Items	$0.0	$7.1	NM	$81.9	-100.0%
Minority Interests	($69.1)	$43.3	NM	$33.9	-303.7%
Income Tax Benefit (Expense)	($60.8)	$5.8	NM	($23.1)	163.0%
Recurring Net Income	**$101.3**	**$2.1**	**NM**	**$118.6**	**-14.6%**
Diluted Shares Outstanding	175.2	173.3	1.1%	175.8	-0.3%
Recurring Earnings Per Share (EPS)	**$0.58**	**$0.01**	**4764.4%**	**$0.66**	**-12.4%**
Capital Expenditures	**$206.8**	**$160.2**	**29.1%**	**$132.1**	**56.6%**
Dividend Per Share	**$0.23**	**$0.23**	**0.0%**	**$0.22**	**4.6%**

Source: UGI reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Williams Companies Inc. (WMB)

A Look Back to 3Q Earnings
JEFe 3Q EBITDA: $1,014mm
Street est. 3Q EBITDA: N/A
Actual 3Q EBITDA: $1,103mm

- We expect WMB to report respective 4Q15 EBITDA & DCF of $1.077B and ~$454mm, implying ~0.94x dividend coverage. Assuming our projections prove to be reasonably accurate, it would mark the second consecutive quarter in which WPZ's coverage was >1.0x while WMB would fail to fully cover its dividend. We expect the focus of 4Q's call will be in regard to FY operational performance and the pending acquisition by ETE. In addition, we look forward to mgmt commentary with respect to 1) potential new deal terms with ETE, 2) ongoing CHK contract renegotiations, and 3) 2016 WPZ distribution outlook.
- Over the last few months, WPZ's story was reshaped by one strategic maneuver after another. Specifically, on May 13th, WMB announced a definitive merger agreement with WPZ, in which it intended to collapse WPZ into WMB via a unit-for-share exchange. However, just six days later, WMB received an unsolicited take-out bid from ETE, predicated on it not advancing the merger with WPZ; WMB's Board initial rejected this offer but later accepted the revised offer which includes a cash component of ~$8 per WMB share. Given the formal termination of the WPZ/WMB merger, WMB will be required to pay the $428mm break-up fee to WPZ, ~40% (~$170mm) of which we expect to be paid in 4Q.
- On WPZ's 3Q earnings call, mgmt highlighted its Geismar olefins plants was running at 'an average of 98%' utilization rate with an expectation for sustained levels through YE. Unfortunately, crack spreads materially weakened during 4Q as ethylene margins averaged ~13¢/lb, off ~33% q/q. According to published sensitivities, WPZ has a ~$80mm q/q headwind in 4Q from margin compression.
- **S&P:** In late December, S&P put its BB+ rating for WMB on CreditWatch with negative implications. Concurrently, S&P also removed its positive CreditWatch on ETE (BB rated).

  Moody's: On January 7th, Moody's downgraded WPZ senior unsecured ratings to Baa3 from Baa2 and the short term rating to Prime-3 from Prime-2. In addition, Moody's downgraded WPZ senior unsecured ratings of WPZ's wholly-owned subsidiary pipelines (Northwest & Transco) to Baa2, from Baa1, and the ratings outlook remain Negative. Concurrent with the WPZ revisions, Moody's lowered its rating on WMB Sr. Unsecured ratings to Ba1, from Baa3.

  While we take credit ratings into consideration from a modelling standpoint, as we expect financing to be done at the OpCo level, we view the loss of WMB IG from Moody's as less of a concern. We look forward to mgmt commentary with regard to access to capital markets through 2016.

Exhibit 32: WMB 4Q15 Results Preview

Operational Metrics	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Year-over-Year 4Q14A	
Total EBITDA	$1,077	$1,103	(2%)	$990	9%
Interest Expense	$290	$263	10%	$234	24%
Tax Expense	$48	$63	-24%	$75	-36%
Allocation to non-controlling	$53	$5	952%	$115	-54%
Net Income	$92	$167	-45%	$124	-26%
EPS	$0.12	$0.22	-45%	$0.16	-26%
Average Shares Outstanding	750	750	0%	752	0%
Capital Expenditures	$883	$771	14%	$1,088	-19%
Distributable Cash Flow	$454	$439	3%	$439	3%
Coverage	0.94x	0.91x	3%	1.03x	-9%

Source: WMB reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Williams Partners (WPZ)

A Look Back to 3Q Earnings
JEFe 3Q EBITDA: $1,017mm
Street est. 3Q EBITDA: $1,080mm
Actual 3Q EBITDA: $1,100mm

Debt to EBITDA Estimates
JEFe 2016: 4.6x
JEFe 2017: 4.3x

S&P 2016: 4.9x
S&P 2017: 4.4x

Moody's 2016: 4.5x
Moody's 2017: 4.0-4.5x

- We project WPZ to report 4Q15 EBITDA of $1.082B, in-line with the $1.101B Street mean estimate. Our $738mm DCF forecast is above the $691mm Street mean estimate which is likely a function of lower sequential maintenance capex. With a projected 85¢/unit payout, we expect 4Q LP coverage of 1.03x.
- Over the last few months, WPZ's story was reshaped by one strategic maneuver after another. Specifically, on May 13th, WMB announced a definitive merger agreement with WPZ, in which it intended to collapse WPZ into WMB via a unit-for-share exchange. However, just six days later, WMB received an unsolicited take-out bid from ETE, predicated on it not advancing the merger with WPZ; WMB's Board initial rejected this offer but later accepted the revised offer which includes a cash component of ~$8 per WMB share. Given the formal termination of the WPZ/WMB merger, WMB will be required to pay the $428mm break-up fee to WPZ, ~40% (~$170mm) of which we expect to be paid in 4Q.
- On WPZ's 3Q earnings call, mgmt highlighted its Geismar olefins plants was running at 'an average of 98%' utilization rate with an expectation for sustained levels through YE. Unfortunately, crack spreads materially weakened during 4Q as ethylene margins averaged ~13¢/lb, off ~33% q/q. According to published sensitivities, WPZ has a ~$80mm q/q headwind in 4Q from margin compression.
- **S&P:** In late December, S&P lowered its corporate credit rating on WPZ and its wholly owned subsidiaries, Northwest Pipeline LLC and Transcontinental Gas Pipe Line Co. LLC, to 'BBB-' from 'BBB' and the outlook is Stable. According to the S&P analyst, the ratings action reflects challenging industry conditions that have constrained the partnership's volumes and commodity sensitive margins materially beyond initial expectations. In addition, the analyst forecasts debt to EBITDA of ~4.9x in 2016 and ~4.4x in 2017.

  Moody's: On January 7th, Moody's downgraded WPZ senior unsecured ratings to Baa3, from Baa2, and the short term rating to Prime-3, from Prime-2. In addition, Moody's downgraded WPZ senior unsecured ratings of WPZ's wholly-owned subsidiary pipelines (Northwest & Transco) to Baa2 from Baa1 and the ratings outlook remain Negative.

Exhibit 33: WPZ 4Q15 Results Preview

Comparison Metrics	JEFe 4Q15E	Quarter-over-Quarter 3Q15A		Year-over-Year 4Q14A	
EBITDA by Segment					
ACMP	$372	$351	5.9%	$375	-0.7%
Northeast G&P	$84	$87	-3.3%	$76	10.7%
Atlantic-Gulf	$398	$414	-4.0%	$268	48.3%
West	$163	$161	1.0%	$202	-19.5%
NGL & Petchem Services	$66	$85	-22.3%	($10)	-760.2%
Corp-Other	$0	$2	NM	($18)	NM
EBITDA	**$1,082**	**$1,100**	-1.6%	**$892**	21.3%
Interest & Debt Expense	$234	$205	14.0%	$60	290.4%
Income Tax Expense	$1	$1	NM	($3)	NM
Net Income	**$351**	**$402**	-12.7%	**$248**	NM
General Partner Interest	$223	$1	22205.4%	$78	NM
Net Income Attributable to LP	**$124.8**	**$406.0**	-69.3%	**$170.4**	NM
Average LP Units Outstanding	601.2	601.2	0.0%	217.2	176.8%
EPU	**$0.21**	**$0.68**	-69.3%	**$0.78**	-73.5%
Adj EBITDA ($MM)	**$1,082**	**$1,100**	-1.6%	**$337**	221.1%
Distributable Cash Flow (DCF) in $MM	**$738**	**$754**	-2.2%	**$250**	195.3%
Capital Expenditures ($MM)	**$883**	**$692**	27.6%	**$262**	237.5%
LP Coverage	**1.03x**	**1.06x**	-2.9%	**1.02x**	0.9%
TTM LP Coverage	**NA**	**NA**	NA	**NA**	NA

Source: WPZ reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Exhibit 34: Coverage Comp Table

MLP

Company Name	Ticker	Rating	Market Capitalization	Price	Price Target	Current Yield	3Q16 Yield	Total Return	2015-2020E Distribution CAGR	Implied 2015E Yield	2015E LP DCF Coverage	2016E LP DCF Coverage	EV / EBITDA 2015E	EV / EBITDA 2016E	2015 'LP % of EBITDA	EV / LP-EBITDA 2015E	EV / LP-EBITDA 2016E	Market Cap / LP DCF 2015E	Market Cap / LP DCF 2016E
AmeriGas Partners, L.P.	APU	BUY	$3,479	$37.00	$52.00	9.9%	10.4%	50.7%	4.0%	9.7%	1.10x	1.09x	9.4x	8.9x	91%	10.2x	10.0x	9.6x	9.4x
Columbia Pipeline Partners	CPPL	BUY	$1,534	$14.04	$22.00	4.9%	5.8%	62.1%	19.3%	4.3%	1.13x	1.03x	16.3x	12.8x	100%	16.3x	12.9x	20.3x	17.3x
DCP Midstream Partners, L.P.	DPM	BUY	$2,374	$19.61	$32.00	15.9%	15.9%	79.1%	0.4%	15.9%	1.15x	0.96x	7.6x	8.7x	74%	8.9x	10.1x	5.4x	6.5x
EnLink Midstream Partners, L.P.	ENLK	BUY	$5,042	$12.07	$21.00	12.9%	13.6%	87.3%	3.1%	12.8%	1.00x	1.07x	9.2x	8.4x	89%	10.2x	9.6x	7.8x	7.0x
Enterprise Products Partners, L.P.	EPD	BUY	$46,834	$21.79	$34.00	7.1%	7.4%	63.3%	5.7%	7.0%	1.27x	1.25x	12.7x	12.1x	100%	12.7x	12.1x	11.1x	10.8x
Energy Transfer Partners, L.P.	ETP	BUY	$19,016	$25.12	$47.00	16.8%	16.8%	103.9%	2.6%	16.6%	1.04x	0.99x	6.4x	7.0x	61%	10.4x	11.1x	5.8x	6.0x
Targa Resources Partners, L.P.	NGLS	BUY	$2,488	$10.61	$16.00	31.1%	31.1%	81.9%	1.3%	31.1%	1.10x	0.70x	5.2x	7.3x	76%	6.7x	9.8x	2.7x	4.6x
ONEOK Partners, L.P.	OKS	BUY	$7,123	$24.97	$38.00	12.7%	12.7%	64.8%	3.3%	12.7%	0.86x	0.98x	8.9x	8.3x	68%	13.0x	12.1x	9.1x	8.1x
Plains All American Pipeline, L.P.	PAA	BUY	$8,734	$19.85	$32.00	14.1%	14.1%	75.3%	0.9%	14.0%	0.79x	0.88x	8.4x	8.3x	64%	13.0x	12.8x	9.0x	8.1x
Spectra Energy Partners, LP	SEP	BUY	$12,680	$42.88	$53.00	5.8%	6.3%	29.7%	8.2%	5.8%	1.33x	1.07x	10.5x	10.7x	75%	13.9x	14.5x	13.0x	14.9x
Sunoco Logistics Partners, L.P.	SXL	BUY	$5,503	$18.99	$31.00	9.6%	10.4%	73.5%	9.1%	9.4%	1.25x	1.10x	8.5x	8.4x	61%	13.8x	13.9x	8.4x	8.7x
Sunoco LP	SUN	BUY	$3,330	$33.19	$50.00	9.0%	11.0%	61.0%	9.3%	8.7%	1.48x	1.40x	7.7x	7.5x	86%	8.9x	9.4x	7.0x	7.4x
Williams Partners, L.P.	WPZ	BUY	$11,652	$16.22	$39.00	21.0%	21.0%	140.4%	4.7%	21.0%	0.97x	1.01x	5.7x	6.9x	69%	8.2x	9.8x	5.2x	4.9x
Average						13.1%	13.6%	74.9%	5.5%	13.0%	1.12x	1.04x	9.0x	8.9x	78%	11.2x	11.4x	8.8x	8.7x

C-Corp

Company Name	Ticker	Rating	Market Capitalization	Price	Price Target	Current Yield	3Q16 Yield	Total Return	2015-2020E Dividend CAGR	Implied 2015E Yield	2015E DCF Coverage	2016E DCF Coverage	Total EV / EBITDA 2015E	Total EV / EBITDA 2016E	2015 '% of MLP Distributions*	Fully-Loaded EV / EBITDA 2015E	Fully-Loaded EV / EBITDA 2016E	Market Cap / GP DCF 2015E	Market Cap / GP DCF 2016E	Market Cap / GP DCF 2017E
Columbia Pipeline Group, Inc	CPGX	BUY	$5,509	$17.00	$24.00	2.9%	3.4%	44.4%	15.7%	3.0%	1.32x	0.93x	14.6x	14.4x	46.5%	14.4x	13.5x	31.4x	21.6x	19.8x
EnLink Midstream LLC	ENLC	BUY	$2,077	$12.65	$24.00	8.1%	9.3%	98.5%	12.7%	8.0%	1.18x	1.12x	7.8x	7.4x	31.7%	14.4x	13.5x	10.5x	9.7x	8.3x
Energy Transfer Equity, L.P.	ETE	BUY	$8,596	$8.09	$19.00	14.1%	14.1%	148.9%	9.0%	13.3%	1.26x	1.16x	20.2x	9.1x	NM	9.3x	7.0x	11.7x	5.8x	4.5x
ONEOK Inc.	OKE	BUY	$4,573	$20.97	$34.00	11.7%	11.7%	73.9%	4.3%	11.6%	1.25x	1.29x	10.8x	10.1x	58.8%	9.5x	8.4x	6.9x	6.6x	7.3x
Plains GP Holdings	PAGP	BUY	$1,612	$7.10	$13.00	13.0%	13.4%	96.4%	2.4%	12.8%	1.00x	1.00x	8.5x	6.9x	36.1%	6.4x	6.0x	7.9x	7.5x	7.4x
Spectra Energy Corp.	SE	HOLD	$16,268	$24.19	$26.00	6.1%	6.7%	14.0%	6.9%	6.1%	1.01x	0.94x	11.9x	13.0x	86.7%	11.8x	12.7x	16.3x	15.9x	13.0x
UGI Corp.	UGI	HOLD	$5,739	$32.89	$36.00	2.8%	2.9%	12.3%	5.3%	2.7%	2.23x	2.45x	2.3x	1.9x	34.2%	9.0x	8.1x	16.6x	14.4x	12.7x
Williams Companies, Inc.	WMB	BUY	$12,401	$13.61	$36.00	18.8%	19.4%	183.7%	12.9%	18.0%	NA	0.95x	9.2x	7.8x	70.3%	8.1x	7.8x	NA	5.5x	5.1x
Average						10.3%	10.1%	84.0%	8.6%	9.5%	1.32x	1.23x	10.7x	8.8x	52.1%	10.4x	9.6x	14.5x	10.9x	9.8x

Diversified Gas

Company Name	Ticker	Rating	Market Capitalization	Price	Price Target	Current Yield	3Q16 Yield	Total Return	2015-2020E Dividend CAGR	Implied 2015E Yield	2015E Payout Ratio	2016E Payout Ratio	EV / EBITDA 2015E	EV / EBITDA 2016E	Credit Rating	Net Debt/EBITDA 2015E	Net Debt/EBITDA 2016E	P/E 2015E	P/E 2016E
Kinder Morgan, Inc.	KMI	HOLD	$27,855	$12.95	$14.00	3.9%	3.9%	12.0%	9.3%	12.4%	225%	78%	9.8x	9.6x	BBB-	6.0x	5.7x	18.2x	20.2x
National Fuel Gas Corporation	NFG	BUY	$3,441	$40.04	$60.00	3.9%	4.0%	53.8%	2.5%	3.9%	53%	60%	6.2x	7.5x	BBB	2.2x	2.8x	13.7x	15.1x
NiSource, Inc.	NI	HOLD	$6,227	$19.47	$19.00	3.2%	3.4%	0.8%	-0.7%	4.3%	61%	61%	10.2x	9.2x	BBB	4.6x	4.8x	19.3x	18.4x
OneGas Inc.	OGS	HOLD	$2,567	$48.95	$44.00	2.5%	2.7%	-7.5%	0.0%	2.5%	55%	55%	10.5x	9.8x	A-	3.5x	3.4x	22.6x	20.7x
Questar Corporation	STR	HOLD	$3,306	$18.74	$20.00	4.5%	4.5%	11.2%	1.1%	4.5%	65%	65%	7.6x	7.5x	A	2.4x	2.5x	14.6x	14.3x
Southwest Gas Corporation	SWX	HOLD	$2,669	$56.93	$57.00	2.8%	3.2%	3.1%	8.7%	2.8%	54%	57%	7.5x	7.7x	BBB+	2.7x	2.8x	19.6x	18.6x
Targa Resources Corp.	TRGP	BUY	$926	$17.28	$26.00	21.1%	21.9%	72.3%	8.1%	20.6%	181%	4180%	4.9x	8.3x	B+	5.3x	5.7x	8.8x	191.1x
Average						6.0%	6.2%	20.8%	4.1%	7.3%	99%	651%	8.1x	8.5x		3.8x	4.0x	16.7x	42.6x

Source: FactSet, Jefferies estimates

Market Cap / DCF incorporates current share price & average expected share counts in each period.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Jefferies

Energy

Rating | Target | Estimate Change

January 14, 2016

Exhibit 1: TRGP Valuation Analysis

Jefferies

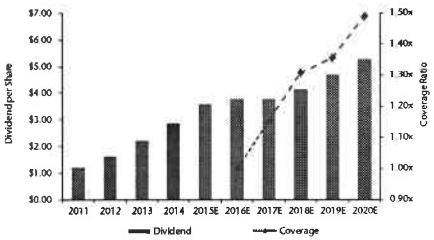
Targa Resources Corp (TRGP)

Discounted Cash Flow	2016E	2017E	2018E	2019E	2020E
EBIT	$351	$492	$698	$885	$1,122
(Cash Taxes on EBIT)	$0	$0	$0	$0	$0
NOPAT	$351	$492	$698	$885	$1,122
DD&A	$690	$669	$658	$637	$637
Capex	($385)	($516)	($349)	($283)	($293)
Changes in NWC	($19)	$3	$7	$12	$1
(Preferred Dividends)	($10)	($10)	($10)	($10)	($10)
Free Cash Flow to the Firm	$627	$639	$1,005	$1,240	$1,456
Terminal Cash Flow					$14,199
Total Cash Flows	$627	$639	$1,005	$1,240	$15,655
PV of Cash Flows	$592	$570	$847	$987	$11,768
Implied Asset Value	$14,764				
(Net Debt)	($5,971)				
(Pension & Operating Leases)	($36)				
Implied Equity Value	$8,757				
Shares Outstanding	160.5				
Implied 12-Month Target	$47.70				

Distributable Cash Flow Coverage	2016E	2017E	2018E	2019E	2020E
EBITDA	$1,041	$1,161	$1,356	$1,521	$1,759
Cash Tax	$0	$0	$0	$0	$0
Interest	($314)	($335)	($356)	($357)	($350)
Maintenance Capex	($110)	($116)	($124)	($133)	($143)
Preferred Coupon & Other	($10)	($10)	($10)	($10)	($10)
Distributable Cash Flow	**$608**	**$700**	**$867**	**$1,021**	**$1,255**
Total Coverage	1.00x	1.15x	1.31x	1.36x	1.49x

Price / 2017E Earnings Per Share	
Boardwalk Pipeline Partners (BWP)	9.1x
CenterPoint Energy (CNP)	14.6x
MDU Resources (MDU)	13.2x
National Fuel Gas (NFG)	13.6x
Kinder Morgan Inc (KMI)	16.9x
Questar Corp. (STR)	14.3x
Sempra Energy (SRE)	15.8x
Average	**14.7x**
TRGP 2017 EPS	$0.69
Average Peer Multiple	14.7x
Implied Value	$10.17
PV of Tax Shield	$2.26
Implied TRGP PT	$12.40

EV / 2017E EBITDA	
Boardwalk Pipeline Partners (BWP)	7.4x
CenterPoint Energy (CNP)	7.6x
MDU Resources (MDU)	8.2x
National Fuel Gas (NFG)	5.4x
Kinder Morgan Inc (KMI)	9.3x
Questar Corp. (STR)	7.3x
Sempra Energy (SRE)	8.7x
Average	**7.7x**
TRGP 2017 EBITDA (Open)	$1,115
Average Peer Multiple	7.7x
Implied EV	$8,584
2016 YE Net Debt	$6,222
PV of Tax Shield	$2.26
PV of Hedge Book	$0.87
Implied TRGP PT	$17.80



WACC Calculation	
Beta	1.25
Risk Free	3.0%
Risk Premium	5.0%
Cost of Equity	9.25%
Cost of New Debt	5.25%
Tax Rate	17.5%
Post-Tax Cost of Debt	4.3%
WACC	**5.9%**

Terminal WACC Calculation	
Beta	1.17
Risk Free	4.5%
Risk Premium	5.0%
Cost of Equity	11.08%
Cost of New Debt	6.5%
Tax Rate	18.5%
Post-Tax Cost of Debt	5.3%
Terminal WACC	**7.1%**

Other Calculations & Assumptions	
Terminal Cash Flow Growth Rate	0.8%
Current TRGP Share Price	$17.28
% Equity	31%
% Debt	69%
Forecast 12-Month Yield	21.9%
5-Year Dividend CAGR	8.1%
Total Return Potential	72.3%

Total Return Expectation	
Price Target	**$26.00**
Dividend Yld (12-mo)	21.9%
Current Share Price	**$17.28**
Total Return	**72.3%**

EV / EBITDA	
Market Cap	$2,773
Net Debt	$5,971
2017 EBITDA	$1,161
EV / EBITDA	7.5x

Distribution & Coverage Estimates		
Year	Dividend	Coverage
2011	$1.21	0.00x
2012	$1.64	0.00x
2013	$2.21	0.00x
2014	$2.85	0.00x
2015E	$3.56	0.00x
2016E	$3.78	1.00x
2017E	$3.78	1.15x
2018E	$4.13	1.31x
2019E	$4.69	1.36x
2020E	$5.25	1.49x

Average TRGP Outcomes	
JEF Deck PT	$26.00
Average Price Target	**$26.00**
Average Dividend Yld (12-mo)	21.9%
Current Share Price	**$17.28**
Total Return	72.3%

NGLS Price Objective	
JEF TRGP Price Target	$26.00
Transaction Ratio	0.62x
Implied NGLS PT	**$16.00**
Pro-Forma Dividends	22.1%
Current NGLS Unit Price	$10.61
Total Return	72.9%

Source: TRGP Reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Exhibit 2: TRGP Consolidated Statement of Income

Consolidated Income Statement (MM)	2010	2011	2012	2013	2014	1Q	2Q	3Q	4QE	2015E	1QE	2QE	3QE	4QE	2016E	2017E	2018E	2019E	2020E
Total Revenues	$5,476.1	$6,993.4	$5,885.7	$6,556.0	$8,630.6	$1,679.7	$1,699.4	$1,632.1	$2,143.7	$7,154.9	$1,700.8	$1,836.3	$2,084.4	$2,163.3	$7,784.8	$10,692.8	$12,834.2	$15,087.7	$17,047.0
Product Purchases	$4,695.5	$6,037.8	$4,879.0	$5,378.5	$7,046.7	$1,268.3	$1,237.0	$1,172.4	$1,665.8	$5,343.5	$1,270.6	$1,392.5	$1,604.7	$1,658.7	$5,926.5	$8,669.0	$10,581.3	$12,636.1	$14,323.4
Total Operating Expenses	$259.3	$287.6	$314.1	$376.3	$450.0	$111.9	$143.4	$143.0	$147.3	$545.6	$151.2	$152.9	$154.8	$159.2	$618.1	$652.0	$674.8	$698.5	$720.9
Operating Margin:																			
Field Gathering & Processing	$236.6	$287.9	$231.2	$270.5	$372.3	$79.3	$138.2	$132.6	$117.5	$467.6	$110.5	$112.9	$136.4	$163.6	$523.5	$746.3	$952.6	$1,134.3	$1,376.8
Coastal Gathering & Processing	$107.8	$174.3	$115.1	$85.5	$77.8	$7.8	$6.5	$7.9	$4.9	$27.1	$2.5	$2.1	$4.0	$5.5	$14.1	$24.4	$32.7	$35.3	$42.1
Logistics	$83.8	$123.1	$188.2	$282.3	$445.1	$125.4	$112.7	$103.6	$102.1	$443.8	$89.4	$98.3	$107.9	$105.3	$401.0	$396.0	$414.7	$416.2	$419.1
Marketing & Distribution	$80.5	$113.5	$116.0	$141.8	$249.7	$65.9	$51.0	$60.2	$60.1	$237.2	$47.1	$48.3	$49.2	$47.9	$192.5	$159.8	$169.9	$167.4	$164.7
Corp & Other	$12.6	$6.0	$1.9	($0.2)	($8.4)	$21.7	$17.1	$21.8	$46.0	$106.6	$29.5	$29.2	$27.5	$23.0	$109.1	$45.2	$8.1	$0.0	$0.0
Operating Margin	$521.3	$704.8	$652.4	$779.9	$1,136.5	$300.1	$325.5	$326.1	$330.6	$1,282.3	$279.0	$290.9	$325.0	$345.4	$1,240.2	$1,371.7	$1,578.0	$1,753.1	$2,002.7
Depreciation, Depletion, and Amortization	$185.5	$181.0	$197.6	$271.9	$351.0	$119.6	$163.9	$165.8	$165.8	$615.1	$172.6	$172.6	$172.6	$172.6	$690.4	$669.0	$658.3	$636.7	$636.7
General & Administrative Expenses	$144.4	$136.2	$139.8	$151.4	$148.4	$42.6	$49.2	$44.9	$38.8	$175.5	$43.87	$43.87	$43.87	$43.87	$175.5	$184.2	$189.8	$195.5	$201.3
			2.6%	8.3%	-2.0%	12.1%	18.3%	4.4%	-9.0%						0.0%	5.0%	3.0%	3.0%	3.0%
Other Income & Expenses:																			
Equity earnings and allowance	$5.4	$8.8	$4.3	$14.8	$18.1	$1.7	($1.5)	($1.6)	$7.5	$6.1	$1.9	$1.9	$1.9	$1.9	$7.5	$7.5	$7.5	$7.5	$7.5
Other, net	($187.4)	($5.9)	($30.8)	($1.6)	($3.8)	($34.8)	($2.1)	$1.4	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Other Income & Expenses	($182.0)	$2.9	($26.5)	$13.2	$14.3	($33.1)	($3.6)	($0.2)	$7.5	$6.1	$1.9	$1.9	$1.9	$1.9	$7.5	$7.5	$7.5	$7.5	$7.5
EBIT	($68.9)	$205.8	$156.5	$233.6	$330.7	$73.4	$100.2	$107.1	$125.3	$441.5	$57.4	$69.0	$102.2	$122.2	$350.8	$491.7	$698.0	$884.6	$1,122.2
Interest Expense, net of amounts capitalized	$110.9	$111.7	$120.8	$134.1	$147.1	$55.0	$70.2	$70.4	$76.2	$271.8	$76.7	$78.0	$79.4	$79.7	$313.8	$335.5	$355.5	$357.0	$350.0
Minority Interest	$78.3	$184.7	$132.0	$136.2	$320.7	$31.4	$8.6	$8.1	$8.3	$56.4	$7.0	$7.3	$8.1	$8.6	$31.0	$34.3	$39.5	$43.8	$50.1
Income Tax Expense	$22.5	$26.6	$37.5	$48.3	$67.9	$15.2	$14.8	$24.0	$10.6	$64.6	($2.3)	($0.3)	$5.7	$9.4	$12.6	$35.2	$70.7	$105.7	$152.1
Income	($202.3)	$67.5	($1.8)	$51.2	$115.7	$3.2	$15.2	$12.7	$38.5	$105.1	($17.0)	($8.7)	$17.1	$33.0	$24.4	$120.9	$271.8	$422.0	$620.1
Class A Interest in Net Income											$2.5	$2.5	$2.5	$2.5	$9.9	$9.9	$9.9	$9.9	$9.9
Income to Common Shareholders	$281	$117	$134	$85	$205	$3	$15	$13	$39	$105	($19)	($11)	$15	$31	$15	$111	$262	$412	$610
EPS	($31.12)	$1.63	($0.04)	$1.22	$2.75	$0.07	$0.27	$0.23	$0.69	$1.96	($0.12)	($0.07)	$0.09	$0.19	$0.09	$0.69	$1.63	$2.57	$3.80
Average Shares Outstanding (MM) - Basic	6.5	41.0	41.0	41.6	42.0	45.8	55.9	56.0	56.0	53.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5	160.5
Class A Preferred Units Outstanding (MM)											4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Average Shares Outstanding (MM) - Diluted	6.5	41.5	41.9	42.1	42.1	45.9	56.1	56.1	56.1	53.6	160.6	160.6	160.6	160.6	160.6	160.6	160.6	160.6	160.6
Dividend Per Share		$1.21	$1.64	$2.21	$2.845	$0.830	$0.8750	$0.9100	$0.95	$3.56	$0.95	$0.95	$0.95	$0.95	$3.78	$3.78	$4.13	$4.69	$5.25
Payout Ratio		74%	-3846%	181%	104%	1191%	323%	402%	138%	181%	-780%	-1358%	1035%	497%	4180%	547%	253%	183%	138%
Absolute Growth			35.9%	34.6%	29.0%	5.500¢	4.500¢	3.500¢	3.50¢	25.1%	0.00¢	0.00¢	0.00¢	0.00¢	6.2%	0.0%	9.3%	13.6%	11.9%
Income Tax Rate	-22.2%	9.5%	22.4%	20.5%	13.5%	30.5%	38.3%	53.6%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%
EBITDA	$117	$386.8	$334.1	$505.5	$681.7	$193.0	$264.1	$272.9	$291.1	$1,056.6	$230.0	$241.6	$274.9	$294.8	$1,041.3	$1,160.7	$1,356.3	$1,521.3	$1,758.8
Dividend Growth Rate		23.4%	36.1%	32.8%	27.6%	7.1%	5.4%	4.0%	3.8%	21.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.8%	12.9%	11.4%
Annualized Dividend		$1.35	$1.83	$2.43	$3.10	$3.32	$3.50	$3.64	$3.78	$3.78	$3.78	$3.78	$3.78	$3.78	$3.78	$3.78	$4.34	$4.90	$5.46
Distributable Cash Flow Calculation																			
EBITDA											$230.0	$241.6	$274.9	$294.8	$1,041.3	$1,160.7	$1,356.3	$1,521.3	$1,758.8
(-) Cash Tax											$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
(-) Interest											($76.7)	($78.0)	($79.4)	($79.7)	($313.8)	($335.5)	($355.5)	($357.0)	($350.0)
(-) Maintenance Capex											($27.5)	($27.5)	($27.5)	($27.5)	($110.0)	($115.5)	($124.2)	($133.5)	($143.5)
(-) Preferred Coupon											($2.5)	($2.5)	($2.5)	($2.5)	($9.9)	($9.9)	($9.9)	($9.9)	($9.9)
Other											$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Distributable Cash Flow											$123.4	$133.6	$165.5	$185.1	$607.5	$699.8	$866.7	$1,021.0	$1,255.5
Reported											$123.4	$133.6	$165.5	$185.1	$607.5	$699.8	$866.7	$1,021.0	$1,255.5
Cash Distributed											$151.7	$151.7	$151.7	$151.7	$606.7	$606.7	$662.8	$752.7	$842.6
Coverage Ratio											0.81x	0.88x	1.09x	1.22x	1.00x	1.15x	1.31x	1.36x	1.49x

Source: TRGP Reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 3: TRGP Consolidated Balance Sheet

Consolidated Balance Sheet (MM)	2010	2011	2012	2013	2014	1Q	2Q	3Q	4QE	2015E	1QE	2QE	3QE	4QE	2016E	2017E	2018E	2019E	2020E
Cash & Equivalents	$188	$146	$76	$67	$81	$171	$106	$103	$42	$42	$45	$48	$54	$45	$45	$59	$62	$64	$63
Accounts Receivable	$467	$576	$515	$659	$567	$676	$603	$621	$629	$629	$654	$706	$793	$682	$682	$879	$1,055	$1,240	$1,397
Inventory	$50	$92	$99	$151	$169	$78	$125	$151	$91	$91	$112	$122	$157	$90	$90	$166	$203	$242	$274
Other Current Assets	$45	$53	$43	$21	$65	$143	$131	$126	$126	$126	$126	$126	$126	$126	$126	$126	$126	$126	$126
Total Current Assets	**$751**	**$867**	**$733**	**$897**	**$883**	$1,068	$964	$1,001	$888	**$888**	$937	$1,003	$1,130	$943	**$943**	**$1,230**	**$1,446**	**$1,673**	**$1,860**
Tangible Fixed Assets - Net	**$2,509**	**$2,820**	**$3,538**	**$4,350**	**$4,825**	$9,833	$9,684	$9,750	$9,863	**$9,863**	$9,787	$9,710	$9,634	$9,558	**$9,558**	**$9,404**	**$9,095**	**$8,742**	**$8,399**
Goodwill	$0	$0	$0	$0	$0	$629	$558	$551	$551	$551	$551	$551	$551	$551	$551	$551	$551	$551	$551
Other Intangible Fixed Assets (Deferred Taxes)	$0	$0	$681	$653	$592	$1,602	$1,736	$1,696	$1,696	$1,696	$1,696	$1,696	$1,696	$1,696	$1,696	$1,696	$1,696	$1,696	$1,696
Investment in Affiliates	$0	$0	$53	$56	$50	$323	$258	$264	$264	$264	$264	$264	$264	$264	$264	$264	$264	$264	$264
Other Investments	$134	$145	$100	$92	$104	$171	$154	$156	$156	$156	$156	$156	$156	$156	$156	$156	$156	$156	$156
Non-Current Assets	**$2,643**	**$2,965**	**$4,372**	**$5,151**	**$5,571**	$12,558	$12,389	$12,417	$12,530	**$12,530**	$12,454	$12,377	$12,301	$12,225	**$12,225**	**$12,071**	**$11,762**	**$11,409**	**$11,066**
Total Assets	**$3,394**	**$3,831**	**$5,105**	**$6,049**	**$6,454**	$13,625	$13,353	$13,418	$13,418	**$13,418**	$13,390	$13,380	$13,431	$13,168	**$13,168**	**$13,301**	**$13,208**	**$13,082**	**$12,926**
Trade Payables & Other ST Liabilities	$624	$741	$687	$770	$644	$785	$723	$727	$688	$688	$768	$765	$872	$721	$721	$998	$1,218	$1,454	$1,644
Short-Term Debt	$0	$0	$0	$0	$183	$198	$124	$136	$136	$136	$186	$191	$193	$192	$192	$201	$200	$195	$185
Total Current Liabilities	**$624**	**$741**	**$687**	**$770**	**$827**	$983	$847	$862	$824	**$824**	$954	$956	$1,065	$913	**$913**	**$1,198**	**$1,418**	**$1,649**	**$1,829**
Long-Term Debt	$1,535	$1,567	$2,475	$2,989	$2,885	$5,838	$5,796	$5,939	$5,866	$5,866	$5,875	$6,019	$6,084	$6,075	$6,075	$6,349	$6,328	$6,161	$5,856
Debt Deemed Provisions - (Asset Retirement)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Deferred Taxes	$112	$121	$131	$136	$138	$128	$134	$157	$167	$167	$165	$165	$171	$180	$180	$215	$286	$392	$544
Other Long Term Liabilities	$87	$72	$59	$62	$63	$82	$84	$81	$81	$81	$81	$81	$81	$81	$81	$81	$81	$81	$81
Total Liabilities	**$2,358**	**$2,500**	**$3,352**	**$3,957**	**$3,914**	$7,031	$6,861	$7,038	$6,938	**$6,938**	$7,075	$7,220	$7,400	$7,249	**$7,249**	**$7,844**	**$8,112**	**$8,283**	**$8,309**
Common Equity	$144	$158	$144	$149	$170	$1,514	$1,516	$1,482	$1,476	$1,476	$6,210	$6,054	$5,925	$5,813	$5,813	$5,351	$4,990	$4,693	$4,511
Preferred Equity	$0	$0	$0	$0	$0	$0	$0	$0	$106	$106	$106	$106	$106	$106	$106	$106	$106	$106	$106
Minority Interests	$892	$1,173	$1,609	$1,943	$2,370	$5,080	$4,976	$4,898	$4,898	$4,898	$0	$0	$0	$0	$0	$0	$0	$0	$0
Shareholders' Equity	**$1,036**	**$1,331**	**$1,753**	**$2,091**	**$2,540**	$6,594	$6,492	$6,380	$6,480	**$6,480**	$6,316	$6,160	$6,031	$5,919	**$5,919**	**$5,457**	**$5,096**	**$4,799**	**$4,617**
Total Liabilities & Equity	**$3,394**	**$3,831**	**$5,105**	**$6,049**	**$6,454**	$13,625	$13,353	$13,418	$13,418	**$13,418**	$13,390	$13,380	$13,431	$13,168	**$13,168**	**$13,301**	**$13,208**	**$13,082**	**$12,926**
Check	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance Sheet Assumptions				*(145)*	*(51)*	*105*	*(55)*	*(38)*	*14*	*27*	*34*	*(66)*	*(14)*	*27*	*(19)*	*3*	*7*	*12*	*1*
Working Capital	(62)	(20)	(30)	60	157	112	135	172	158	158	124	190	204	177	177	174	166	155	154
Average Collection Period	31	30	32	37	24	36	32	35	27	32	35	35	35	29	32	30	30	30	30
Inventory Days	4	6	7	10	9	6	9	12	5	61	8	8	9	5	53	7	7	7	7
Average Payable Period	49	45	52	52	33	56	53	57	38	460	55	50	50	40	427	42	42	42	42
Cash	188	146	76	67	81	171	106	103	42	42	45	48	54	45	45	59	62	64	63
Total Debt	1,535	1,567	2,475	2,989	3,068	6,036	5,920	6,074	6,002	6,002	6,061	6,209	6,277	6,267	6,267	6,550	6,528	6,356	6,041
Total Net Debt	**1,346**	**1,421**	**2,399**	**2,923**	**2,987**	**5,865**	**5,815**	**5,971**	**5,960**	**5,960**	**6,016**	**6,162**	**6,223**	**6,222**	**6,222**	**6,492**	**6,466**	**6,292**	**5,978**
Preferred Securities	0	0	0	0	0	0	0	0	106	106	106	106	106	106	106	106	106	106	106
Shareholders' Equity	1,036	1,331	1,753	2,091	2,540	6,594	6,492	6,380	6,480	6,480	6,316	6,160	6,031	5,919	5,919	5,457	5,096	4,799	4,617
Net Debt/Capital	56.5%	51.6%	57.8%	58.3%	54.1%	47.1%	47.2%	48.3%	47.5%	47.5%	48.4%	49.6%	50.3%	50.8%	50.8%	53.9%	55.4%	56.2%	55.9%
EBIT	(69)	206	157	234	331	73	100	107	125	441	57	69	102	122	351	492	698	885	1,122
EBIT(1-T)	(84)	186	122	186	286	51	62	50	102	360	47	56	83	100	286	401	569	721	915
Invested capital	2,382	2,752	4,152	5,014	5,527	12,460	12,307	12,351	12,546	12,546	12,438	12,428	12,360	12,247	12,247	12,055	11,668	11,197	10,701
ROIC		7%	4%	4%	5%					3%					2%	3%	5%	6%	8%
ROE		19%	8%	10%	19%					2%					1%	3%	6%	9%	14%
EBITDA	195	572	486	642	1,002	224	273	281	299	1,113	237	249	283	303	1,072	1,195	1,396	1,565	1,809
Net Debt / EBITDA	6.9x	2.2x	3.5x	4.2x	2.9x	5.8x	4.4x	5.0x	5.5x	5.3x	5.4x	5.7x	5.7x	5.7x	5.7x	5.3x	4.6x	4.1x	3.4x

Source: TRGP Reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Please see important disclosure information on pages 52 - 56 of this report.

Exhibit 4: TRGP Consolidated Statement of Cash Flows

Consolidated Cash Flow Statement (MM)	2010	2011	2012	2013	2014	1Q	2Q	3Q	4QE	2015E	1QE	2QE	3QE	4QE	2016E	2017E	2018E	2019E	2020E
Operating Activities																			
Net Income	$63	$215	$159	$201	$423	$35	$25	$21	$47	$127	($12)	($4)	$23	$39	$46	$145	$301	$456	$660
Depreciation & Amortization	$175	$181	$198	$272	$351	$120	$163	$166	$166	$614	$173	$173	$173	$173	$690	$669	$658	$637	$637
Distributions to Equity Earnings	$0	($0)	$0	$0	$14	($2)	$9	$3	$0	$10	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other, including changes in provisions & other liabilities	$113	$23	$81	$54	$24	$35	$50	$59	$11	$154	($2)	($0)	$6	$9	$13	$35	$71	$106	$152
Net Change in Working Capital	($146)	($40)	($9)	($145)	($51)	$105	($55)	($38)	$14	$27	$34	($66)	($14)	$27	($19)	$3	$7	$12	$1
Net Cash Provided by Operating Activities	**$205**	**$379**	**$428**	**$383**	**$762**	$293	$192	$211	$237	**$932**	$192	$103	$187	$248	**$729**	**$853**	**$1,038**	**$1,210**	**$1,450**
Investing Activities																			
Capital Expenditure - tangible fixed assets	($139)	($332)	($583)	($1,014)	($762)	($188)	($249)	($189)	($279)	($904)	($96)	($96)	($96)	($96)	($385)	($516)	($349)	($283)	($293)
Investment in Affiliates	$0	($21)	($17)	$0	$6	$1	($1)	$1	$0	$1	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Disposals/(Acquisitions)	$0	($157)	($996)	$0	$0	($1,598)	$24	$0	$0	($1,574)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Investment	$8	$0	$5	($13)	$5	($8)	$7	($8)	$0	($10)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Cash Provided by Investing Activities	**($131)**	**($509)**	**($1,591)**	**($1,026)**	**($751)**	($1,793)	($219)	($196)	($279)	**($2,487)**	($96)	($96)	($96)	($96)	**($385)**	**($516)**	**($349)**	**($283)**	**($293)**
Financing Activities																			
Inc./(dec.) in Short-term Debt	$0	$0	($7)	$2	$18	$1,213	($36)	($447)	$1	$731	$50	$4	$2	($0)	$56	$9	($1)	($5)	($10)
Inc./(dec.) in Long-term Debt	($56)	$58	$904	$217	$145	$173	($90)	$600	($73)	$611	$9	$144	$65	($9)	$209	$274	($21)	($167)	($306)
Inc./(dec.) in Equity	$319	$298	$484	$511	$405	$364	$266	$19	$0	$649	$0	$0	$0	$0	$0	$0	$0	$0	$0
Common Stock Dividends Paid	($210)	($38)	($62)	($88)	($113)	($32)	($47)	$76	($53)	($55)	($152)	($152)	($152)	($152)	($607)	($607)	($663)	($753)	($843)
Other Cash from Financing	$48	($230)	($226)	($8)	($452)	($128)	($132)	($266)	$0	($526)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Inc./(dec.) in Preffered Equity	($238)	$0	$0	$0	$0	$0	$0	$0	$106	$106	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Cash Provided by Financing Activities	**($138)**	**$87**	**$1,093**	**$634**	**$4**	$1,590	($38)	($18)	($19)	**$1,516**	($93)	($3)	($84)	($161)	**($342)**	**($324)**	**($685)**	**($925)**	**($1,158)**
Cash flow increase/(decrease) in cash	($64)	($43)	($70)	($10)	$14	$90	($65)	($3)	($61)	($39)	$2	$3	$6	($9)	$3	$14	$4	$2	($1)
Non-cash movements in cash	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Change in Cash	($64)	($43)	($70)	($10)	$14	$90	($65)	($3)	($61)	($39)	$2	$3	$6	($9)	$3	$14	$4	$2	($1)
Cash at the Beginning of the Year	**$252**	**$188**	**$146**	**$76**	**$67**	$81	$171	$106	$103	**$81**	$42	$45	$48	$54	**$42**	**$45**	**$59**	**$62**	**$64**
Cash at the End of the Year	**$188**	**$146**	**$76**	**$67**	**$81**	$171	$106	$103	$42	**$42**	$45	$48	$54	$45	**$45**	**$59**	**$62**	**$64**	**$63**
Cash paid for income taxes	**$92.7**	**$33.8**	**$30.5**	**$0.0**	**$0.0**	$0	$0	$0	$0	**$0.0**	$0	$0	$0	$0	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Cash interest paid, net of amount capitalized	**$89.5**	**$96.1**	**$95.6**	**$110.1**	**$133.8**	$33	$0	$57	$43	**$133.4**	$43	$35	$43	$42	**$162.9**	**$173.7**	**$184.3**	**$185.2**	**$181.6**
Cash Tax Rate		**35.9%**	**85.4%**	**0.0%**	**0.0%**	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Free Cash Flow (after dividends)	(144)	9	(217)	(719)	(113)	73	(104)	99	(95)	(27)	(56)	(145)	(61)	0	(262)	(269)	26	174	314
Free Cash Flow CFA Rules (NI+D&A-WC-CapEx)	(47)	25	(235)	(685)	(39)	72	(115)	(40)	(52)	(136)	98	7	85	142	332	302	618	821	1,004

Source: TRGP Reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 5: NGLS Consolidated Statement of Income

Consolidated Income Statement (MM)	2010	2011	2012	2013	2014	1Q	2Q	3Q	4QE	2015E	1QE	2QE	3QE	4QE	2016E	2017E	2018E	2019E	2020E
Operating Margin:					$695				(2.0%)	$681									
Field Gathering & Processing	$237	$288	$231	$271	$372	$79	$138	$133	$117	$468	$111	$113	$136	$164	$523	$784	$1,030	$1,144	$1,383
Coastal Gathering & Processing	$108	$174	$115	$86	$78	$8	$7	$8	$5	$27	$2	$2	$4	$6	$14	$24	$33	$35	$42
Logistics	$84	$123	$188	$282	$445	$125	$113	$104	$102	$444	$89	$98	$108	$105	$401	$408	$439	$441	$442
Marketing & Distribution	$81	$114	$116	$142	$250	$66	$51	$60	$60	$237	$47	$48	$49	$48	$192	$160	$170	$167	$165
Corp & Other	$4	($38)	$41	$21	($8)	$22	$17	$22	$46	$107	$30	$29	$27	$23	$109	$45	$8	$0	$0
Operating Margin	$513	$661	$692	$801	$1,137	$300	$326	$326.1	$331	$1,282	$279	$291	$325	$345	$1,240	$1,421	$1,679	$1,787	$2,032
Depreciation, Depletion, and Amortization	$176	$178	$197	$272	$347	$120	$164	$166	$167	$616	$173	$173	$173	$173	$690	$692	$665	$638	$638
General & Administrative Expenses	$122	$128	$132	$143	$140	$40	$47	$43	$39	$169	$44	$44	$44	$44	$176	$181	$185	$189	$194
	17.5%	4.5%	2.8%	8.8%	-2.2%	12.3%	19.7%	6.2%	58.3%	0.0%	9.0%	-6.1%	2.4%	12.8%	4.0%	3.0%	2.0%	2.5%	2.5%
Other Income & Expenses:																			
Equity earnings and allowance	$5	$9	$2	$15	$18	$2	($2)	($2)	$8	$6	$4	$4	$4	$4	$15	$15	$15	$15	$15
Other, net	$4	($6)	($12)	$6	($2)	($13)	$2	$1	($4)	($14)	($6)	$1	$2	($5)	($8)	($11)	($10)	($11)	($10)
Total Other Income & Expenses	$9	$2	($11)	$21	$16	($12)	$0	($0)	$3	($8)	($3)	$5	$6	($2)	$7	$4	$5	$4	$5
EBIT	$198	$316	$324	$382	$629	$124	$108	$112	$120	$463	$53	$72	$107	$119	$350	$517	$792	$920	$1,154
Interest Expense, net of amounts capitalized	$111	$108	$117	$131	$144	$51	$62	$64	$67	$244	$69	$71	$73	$74	$287	$325	$345	$358	$355
Minority Interest	$25	$41	$29	$25	$37	$5	$8	$5	$8	$25	$7	$7	$8	$9	$31	$36	$42	$45	$51
Income Tax Expense	$4	$4	$4	$3	$5	$1	($0)	($0)	$1	$2	$1	$1	$1	$1	$5	$5	$6	$7	$8
Net Income	$83	$204	$203	$248	$480	$72	$46	$48.5	$52	$218	($17)	$0	$33	$43	$58	$186	$441	$554	$791
General Partner interest in Net Income	18.1	37.9	66.7	107.5	148.7	42.5	44.6	44.9	48.0	180.0	54.7	55.5	56.2	57.0	223.4	263.1	287.0	314.7	333.3
Class A Interest in Net Income									2.5	2.5	2.5	2.5	2.5	2.5	9.9	9.9	9.9	9.9	9.9
Limited Partners interest in Net Income	65.2	166.5	136.1	140.8	331.4	29.1	1.2	3.6	1.6	35.5	(74.6)	(57.9)	(26.1)	(16.3)	(175.0)	(87.0)	144.2	229.8	448.2
EPU	$0.92	$1.98	$1.51	$1.33	$2.88	$0.21	$0.01	$0.02	$0.01	$0.21	($0.40)	($0.31)	($0.14)	($0.08)	($0.92)	($0.44)	$0.72	$1.14	$2.20
Average L.P. Units Outstanding (MM)	70.8	84.1	90.2	105.8	115.0	137.5	182.6	184.8	185.2	172.7	186.3	188.6	190.9	193.1	189.7	196.7	199.9	201.6	203.7
Class A Preferred Units Outstanding (MM)									4.4	1.1	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Distribution per Unit	$2.13	$2.31	$2.61	$2.89	$3.15	$0.82	$0.83	$0.83	$0.83	$3.30	$0.83	$0.83	$0.83	$0.83	$3.30	$3.30	$3.35	$3.43	$3.51
	2.9%	8.6%	12.8%	10.9%	8.9%					4.6%					0.2%	0.0%	1.5%	2.4%	2.3%
Income Tax Rate	1.1%	0.8%	0.8%	0.5%	0.5%	0.4%	-0.1%	-0.2%	0.5%	0.2%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Adjustments to Reconcile Net Income to EBITDA															($122.3)				
Net Income	$109.0	$204.4	$202.8	$248.3	$480.1	$71.6	$45.8	$48.5	$52.0	$217.9	($17.5)	$0.0	$32.6	$43.2	$58.3	$186.1	$441.1	$554.4	$791.4
(+) Interest Expense	$110.7	$107.7	$116.8	$131.0	$143.7	$50.9	$62.2	$64.1	$66.6	$243.8	$69.3	$70.9	$72.8	$74.0	$286.9	$325.3	$345.0	$358.4	$354.9
(+) Income Tax Expense	$4.0	$4.3	$4.2	$2.9	$4.8	$1.1	($0.3)	($0.4)	$1.3	$1.7	$1.0	$1.0	$1.2	$1.3	$4.6	$5.3	$6.4	$6.9	$8.1
(+) DD&A	$176.1	$178.2	$197.4	$271.6	$346.5	$119.6	$163.9	$165.8	$166.9	$616.2	$172.6	$172.6	$172.6	$172.6	$690.3	$691.7	$665.4	$638.0	$638.0
(+) Risk Management Activities	$6.4	$7.3	$5.5	($2.2)	$3.4	($0.7)	$24.8	$21.8	$0.0	$45.9	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
(+) Non-controlling interests adjustment	($10.5)	($11.1)	($11.8)	($22.4)	($15.5)	$15.4	$6.9	$6.0	$6.2	$34.5	$3.5	$3.6	$4.1	$4.3	$15.5	$17.8	$21.0	$22.3	$25.4
EBITDA	$395.7	$490.8	$514.9	$629.2	$963.0	$257.9	$303.3	$305.8	$293.0	$1,160.0	$228.9	$248.2	$283.3	$295.4	$1,055.7	$1,226.1	$1,478.6	$1,580.1	$1,817.8
Street									$290	$1,157	$286	$286	$297	$309	$1,178	$1,324			
Adjustments to Reconcile Net Income to DCF										0.3%	(20.0%)	(13.2%)	(4.7%)	(4.4%)	(10.4%)	(7.4%)			
(+) Non cash interest expense	$29.4	$0.0	$0.0	$0.0	$0.0	$36.8	$3.0	$3.3	$0.0	$43.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
(+) DD&A	$176.1	$178.2	$197.4	$271.6	$346.5	$119.6	$163.9	$165.8	$166.9	$616.2	$172.6	$172.6	$172.6	$172.6	$690.3	$691.7	$665.4	$638.0	$638.0
(+) Deferred Income Tax Expense	$1.2	$0.8	$1.7	$0.9	$1.6	$0.6	($0.3)	($0.6)	$1.3	$1.0	$0.3	$0.3	$0.3	$0.3	$1.0	$1.0	$1.0	$1.0	$1.0
(+) Amortization in Interest Expense	$6.1	$12.3	$17.5	$15.5	$11.4	$3.0	$3.0	$0.0	$4.3	$10.3	$4.5	$4.7	$4.8	$4.9	$19.0	$21.5	$22.8	$23.7	$23.5
(+) Loss on mark-to-market derivatives	$6.4	$7.3	$5.5	$0.0	$0.0	($0.7)	$24.8	$21.8	$0.0	$45.9	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
(+) Other	($1.1)	$15.4	($3.5)	($16.1)	($4.3)	$17.1	$5.8	$8.6	$0.3	$31.8	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
(-) Maintenance Capex	($50.4)	($83.7)	($67.8)	($80.0)	($79.2)	($20.3)	($27.6)	($26.7)	($29.4)	($104.0)	($27.5)	($27.5)	($27.5)	($27.5)	($110.0)	($115.5)	($124.2)	($133.5)	($143.5)
CASH AVAILABLE FOR DISTRIBUTION	$276.7	$334.7	$353.6	$440.2	$756.1	$227.7	$218.4	$220.7	$195.5	$862.3	$112.4	$150.1	$182.8	$193.4	$658.6	$784.8	$1,006.1	$1,083.7	$1,310.4

Source: NGLS Reports, Jefferies estimates

Note: NGLS financial statements do not account for pending transaction with TRGP, which we expect to be completed in 1H16. For estimates beyond 1Q16, TRGP financial statements may be more representative.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Exhibit 6: NGLS Consolidated Balance Sheet

Consolidated Balance Sheet (MM)	2008	2009	2010	2011	2012	2013	2014	1Q	2Q	3Q	4QE	2015E	1QE	2QE	3QE	4QE	2016E	2017E	2018E	2019E	2020E
Cash & Equivalents	$95	$91	$76	$56	$68	$58	$72	$64	$86	$93	$147	$147	$253	$260	$270	$253	$253	$363	$465	$575	$687
Accounts Receivable	$81	$328	$466	$576	$515	$659	$567	$668	$602	$621	$629	$629	$654	$706	$793	$635	$635	$898	$1,105	$1,228	$1,387
Inventory	$1	$39	$50	$92	$99	$151	$169	$78	$125	$151	$91	$91	$70	$153	$262	$81	$81	$124	$155	$174	$200
Other Current Assets	$92	$27	$28	$44	$33	$9	$48	$138	$97	$101	$101	$101	$101	$101	$101	$101	$101	$101	$101	$101	$101
Total Current Assets	**$269**	**$486**	**$621**	**$767**	**$715**	**$876**	**$856**	$947	$909	$965	$968	**$968**	$1,078	$1,220	$1,425	$1,070	**$1,070**	**$1,485**	**$1,826**	**$2,078**	**$2,375**
Tangible Fixed Assets - Net	**$1,244**	**$1,679**	**$2,495**	**$2,806**	**$3,533**	**$4,345**	**$4,825**	$9,833	$9,684	$9,750	$9,862	**$9,862**	$9,867	$9,872	$9,877	$9,882	**$9,882**	**$9,505**	**$9,114**	**$8,760**	**$8,365**
Goodwill	$0	$0	$0	$0	$0	$0	$0	$629	$558	$551	$551	$551	$551	$551	$551	$551	$551	$551	$551	$551	$551
Other Intangible Fixed Assets (Deferred Taxes)	$0	$0	$0	$0	$681	$653	$592	$1,602	$1,736	$1,696	$1,696	$1,696	$1,696	$1,696	$1,696	$1,696	$1,696	$1,696	$1,696	$1,696	$1,696
Investment in Affiliates	$0	$19	$19	$11	$53	$56	$50	$323	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Investments	$81	$29	$52	$74	$44	$41	$54	$106	$351	$361	$361	$361	$361	$361	$361	$361	$361	$361	$361	$361	$361
Non-Current Assets	**$1,325**	**$1,726**	**$2,566**	**$2,891**	**$4,311**	**$5,096**	**$5,521**	$12,492	$12,328	$12,358	$12,470	**$12,470**	$12,474	$12,479	$12,484	$12,489	**$12,489**	**$12,113**	**$11,722**	**$11,367**	**$10,973**
Total Assets	**$1,594**	**$2,211**	**$3,186**	**$3,658**	**$5,026**	**$5,971**	**$6,377**	$13,440	$13,238	$13,323	$13,437	**$13,437**	$13,553	$13,700	$13,910	$13,559	**$13,559**	**$13,598**	**$13,548**	**$13,446**	**$13,348**
Trade Payables & Other ST Liabilities	$120	$426	$610	$749	$709	$782	$651	$753	$686	$694	$688	$688	$768	$842	$1,047	$685	$685	$990	$1,225	$1,375	$1,562
Short-Term Debt	$0	$0	$0	$0	$0	$0	$183	$198	$124	$136	$113	$113	$116	$120	$122	$124	$124	$129	$132	$134	$132
Total Current Liabilities	**$120**	**$426**	**$610**	**$749**	**$709**	**$782**	**$834**	$951	$811	$830	$801	**$801**	$884	$962	$1,169	$809	**$809**	**$1,119**	**$1,357**	**$1,509**	**$1,694**
Long-Term Debt	$697	$908	$1,445	$1,478	$2,393	$2,905	$2,783	$5,140	$5,179	$5,336	$5,517	$5,517	$5,692	$5,890	$5,992	$6,092	$6,092	$6,323	$6,467	$6,580	$6,463
Debt Deemed Provisions (Asset Retirement)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Deferred Taxes	$2	$0	$9	$10	$0	$12	$14	$45	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Long-Term Liabilities	$13	$40	$73	$60	$64	$54	$58	$75	$101	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100
Total Liabilities	**$832**	**$1,375**	**$2,137**	**$2,296**	**$3,166**	**$3,753**	**$3,689**	$6,211	$6,090	$6,266	$6,417	**$6,417**	$6,676	$6,952	$7,260	$7,002	**$7,002**	**$7,541**	**$7,925**	**$8,189**	**$8,257**
Common Equity	$762	$823	$920	$1,223	$1,710	$2,058	$2,517	$6,748	$6,850	$6,748	$6,605	$6,605	$6,461	$6,332	$6,234	$6,142	$6,142	$5,641	$5,208	$4,841	$4,675
Preferred Equity	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$106	$106	$106	$106	$106	$106	$106	$106	$106	$106	$106
Minority Interests	$0	$13	$129	$139	$151	$161	$171	$481	$297	$310	$310	$310	$310	$310	$310	$310	$310	$310	$310	$310	$310
Shareholders' Equity	**$762**	**$836**	**$1,049**	**$1,362**	**$1,860**	**$2,218**	**$2,688**	$7,229	$7,147	$7,057	$7,020	**$7,020**	$6,876	$6,748	$6,650	$6,558	**$6,558**	**$6,057**	**$5,624**	**$5,257**	**$5,091**
Total Liabilities & Equity	**$1,594**	**$2,211**	**$3,186**	**$3,658**	**$5,026**	**$5,971**	**$6,377**	$13,440	$13,238	$13,323	$13,437	**$13,437**	$13,553	$13,700	$13,910	$13,559	**$13,559**	**$13,598**	**$13,548**	**$13,446**	**$13,348**
Check	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Balance Sheet Assumptions					*4*	*(160)*	*(52)*	*100*	*(47)*	*(39)*	*46*	*60*	*76*	*(62)*	*10*	*(23)*	*1*	*(1)*	*(4)*	*8*	*2*
Working Capital	54	(32)	(65)	(37)	(62)	37	133	131	138	178	133	133	57	119	109	132	132	132	136	128	126
Average Collection Period	7	29	32	30	32	37	24	34	34	37	27	32	35	35	35	27	30	30	30	30	30
Inventory Days	4	95	4	6	7	10	9	6	10	13	5	61	5	10	15	5	48	5	5	5	5
Average Payable Period	443	1,036	48	45	53	53	34	53	54	59	38	461	55	55	60	38	406	40	40	40	39
Cash	95	91	76	56	68	58	72	64	86	93	147	147	253	260	270	253	253	363	465	575	687
Total Debt	697	908	1,445	1,478	2,393	2,905	2,966	5,338	5,303	5,472	5,629	5,629	5,809	6,011	6,114	6,217	6,217	6,452	6,599	6,714	6,595
Total Net Debt	**602**	**818**	**1,369**	**1,422**	**2,325**	**2,848**	**2,894**	**5,275**	**5,218**	**5,379**	**5,482**	**5,482**	**5,555**	**5,751**	**5,844**	**5,964**	**5,964**	**6,089**	**6,135**	**6,139**	**5,909**
Preferred Securities	0	0	0	0	0	0	0	0	0	0	106	106	106	106	106	106	106	106	106	106	106
Shareholders' Equity	762	836	1,049	1,362	1,860	2,218	2,688	7,229	7,147	7,057	7,020	7,020	6,876	6,748	6,650	6,558	6,558	6,057	5,624	5,257	5,091
Net Debt/Capital	44.1%	49.4%	56.6%	51.1%	55.6%	56.2%	51.8%	42.2%	42.2%	43.3%	43.5%	43.8%	44.3%	45.0%	46.4%	47.2%	47.2%	49.7%	51.7%	53.4%	53.2%
EBIT	161	204	198	316	324	382	629	124	108	112	120	463	53	72	107	119	350	517	792	920	1,154
EBIT(1-T)	155	197	191	305	312	368	606	119	104	108	116	447	51	69	103	114	337	498	764	887	1,113
Invested capital	1,364	1,654	2,418	2,784	4,185	5,066	5,582	12,504	12,365	12,436	12,608	12,608	12,538	12,604	12,600	12,627	12,627	12,252	11,864	11,502	11,105
ROIC		13%	9%	12%	9%	8%	11%	8%	6%	5%	4%	4%	3%	3%	3%	3%	3%	4%	6%	8%	10%
ROE		9%	8%	15%	12%	12%	19%	2%	1%	1%	1%	3%	0%	0%	0%	1%	1%	3%	8%	10%	15%
EBITDA	214	366	396	491	515	629	963	258	303	306	293	1,160	229	248	283	295	1,056	1,226	1,479	1,580	1,818
Net Debt / EBITDA	2.7x	2.0x	2.9x	2.6x	3.2x	4.2x	3.0x	3.5x	3.5x	4.2x	4.0x	4.6x	4.8x	5.2x	5.4x	5.5x	5.5x	4.9x	4.1x	3.9x	3.3x

Source: NGLS Reports, Jefferies estimates

Note: NGLS financial statements do not account for pending transaction with TRGP, which we expect to be completed in 1H16. For estimates beyond 1Q16, TRGP financial statements may be more representative.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 7: NGLS Consolidated Statement of Cash Flows

Cash Flow Statement	2010	2011	2012	2013	2014	1Q	2Q	3Q	4QE	2015E	1QE	2QE	3QE	4QE	2016E	2017E	2018E	2019E	2020E
Operating activities																			
Net income	$105	$246	$203	$259	$505	$77	$55	$53	$60	$245	($11)	$7	$41	$52	$89	$222	$483	$599	$842
Depreciation, Amortization	$150	$178	$197	$272	$347	$120	$163	$166	$167	$615	$173	$173	$173	$173	$690	$692	$665	$638	$638
Distributions to Equity Earnings	$3	($0)	$0	$0	$0	$2	($3)	$2	$0	$1	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other, including changes in provisions and other liabilities	$100	$2	$61	$42	$39	$14	$42	$33	$0	$89	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net change in working capital	$13	($24)	$4	($160)	($52)	$100	($47)	($39)	$46	$60	$76	($62)	$10	($23)	$1	($1)	($4)	$8	$2
Net cash provided by operating activities	**$371**	**$401**	**$465**	**$411**	**$839**	$312.5	$209.8	$215.5	$273	**$1,011**	$238	$118	$223	$202	**$780**	**$913**	**$1,145**	**$1,245**	**$1,482**
Investing activities																			
Capital expenditure - tangible fixed assets	($137)	($329)	($582)	($1,014)	($762)	($188)	($249)	($189)	($279)	($904)	($178)	($178)	($178)	($178)	($710)	($316)	($274)	($283)	($243)
Investment in affiliates	$0	($21)	($17)	$0	$0	$0	$0	($7)	$0	($7)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net disposals/(acquisitions)	$0	($157)	($996)	$0	$0	($852)	$24	$0	$0	($829)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other investment	$2	$0	$2	($13)	$11	$0	($1)	($1)	$0	($2)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net cash provided by investing activities	**($135)**	**($506)**	**($1,594)**	**($1,026)**	**($751)**	($1,040)	($226)	($196)	($279)	**($1,741)**	($178)	($178)	($178)	($178)	**($710)**	**($316)**	**($274)**	**($283)**	**($243)**
Financing activities																			
Inc./(dec.) in short term debt	$0	$0	$122	($225)	($395)	$840	($21)	($432)	($23)	$365	$4	$4	$2	$2	$12	$5	$3	$2	($2)
Inc./(dec.) in long term debt	($202)	$58	$782	$442	$540	($99)	$30	$600	$180	$711	$176	$198	$101	$101	$576	$230	$145	$113	($117)
Inc./(dec.) in equity	$325	$304	$555	$536	$416	$28	$268	$23	$0	$319	$75	$75	$75	$75	$300	$200	$50	$50	$50
Common stock dividends paid	($164)	($225)	($307)	($397)	($495)	($137)	($194)	($200)	($203)	($735)	($208)	($211)	($214)	($219)	($852)	($922)	($967)	($1,016)	($1,058)
Other cash from financing	($210)	($52)	($11)	$249	($138)	$87	($45)	($3)	$0	$39	$0	$0	$0	$0	$0	$0	$0	$0	$0
Inc./(dec.) in preffered equity	$0	$0	$0	$0	$0	$0	$0	$0	$106	$106	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net cash provided by financing activities	**($251)**	**$84**	**$1,141**	**$604**	**($72)**	$719	$38	($12)	$60	**$805**	$46	$66	($36)	($41)	**$35**	**($487)**	**($769)**	**($851)**	**($1,127)**
Cash flow increase/(decrease) in cash	($15)	($21)	$12	($10)	$15	($9)	$22	$7	$54	$75	$106	$7	$10	($17)	$106	$110	$102	$110	$112
Non-cash movements in cash	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net change in cash	**($15)**	**($21)**	**$12**	**($10)**	**$15**	**($9)**	**$22**	**$7**	**$54**	**$75**	**$106**	**$7**	**$10**	**($17)**	**$106**	**$110**	**$102**	**$110**	**$112**
Cash at the beginning of the year	**$91**	**$76**	**$56**	**$68**	**$57**	**$72**	**$64**	**$86**	**$93**	**$72**	**$147**	**$253**	**$260**	**$270**	**$147**	**$253**	**$363**	**$465**	**$575**
Cash at the end of the year	**$76**	**$56**	**$68**	**$57**	**$72**	**$64**	**$86**	**$93**	**$147**	**$147**	**$253**	**$260**	**$270**	**$253**	**$253**	**$363**	**$465**	**$575**	**$687**
Cash paid for income taxes																			
Cash Interest paid, net of amount capitalized																			
Free Cash Flow (after dividends)	70	(153)	(424)	(1,000)	(419)	(13)	(233)	(174)	(209)	(628)	(148)	(270)	(168)	(195)	(782)	(325)	(96)	(55)	181
Free Cash Flow CFA Rules (NI+D&A-WC-CapEx)	131	71	(177)	(644)	38	109	(78)	(8)	(6)	16	60	(59)	45	24	70	597	871	961	1,239

Source: NGLS Reports, Jefferies estimates

Note: NGLS financial statements do not account for pending transaction with TRGP, which we expect to be completed in 1H16. For estimates beyond 1Q16, TRGP financial statements may be more representative.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

AmeriGas Partners, L.P. (APU)

Buy: $52 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- Propane continues to capture incremental fuel oil market share, helping to mitigate its LT structural demand decline.
- Ongoing, periodic acquisitions of small, independent operators offset the structural decline in propane sales.
- Acquisitions also enable improved asset utilization, allowing unit-margin growth.
- Normal weather conditions exist.
- 2016 EBITDA: ~$650mm; 5-year distribution CAGR: 4.0%; Target Price: $52

Upside Scenario

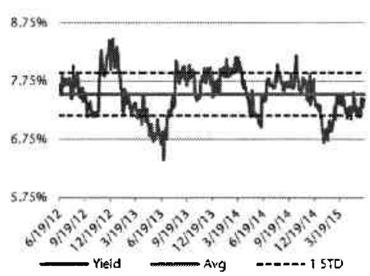
- Accelerated conversions of fuel-oil customers supplement acquisition activities, driving strong sales growth and margin expansion.
- Significantly colder-than-normal winter weather conditions produce robust sales during peak margin environment.
- Propane prices remain significantly depressed, helping to mitigate customer conservation
- 2016 EBITDA: $750mm; 5-year distribution CAGR: 5.5%; Target Price: $60

Downside Scenario

- Rival fuel sources begin capturing propane market share, accelerating its LT structural demand decline.
- APU is unable to close accretive, bolt-on acquisitions and sales track the historic structural decline of the broad market.
- Persistently warmer than normal temps crimp sales, margins, and cash flows.
- Rising US propane exports elevate prices, further pressuring sales and margins.
- 2016 EBITDA: $600mm; 5-year distribution CAGR: 3.0%; Target Price: $30

Long Term Analysis

Historical Distribution Yield



Source: FactSet, Jefferies estimates

Long Term Financial Model Drivers

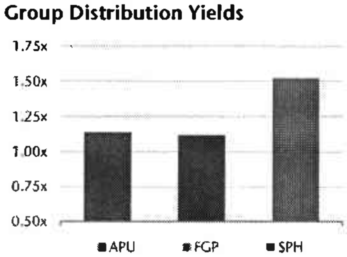
LT EBITDA CAGR	~4.5%
Terminal Distribution Growth Rate	1.0%
Annual Unit-Margin Growth	~1.0%

Other Considerations

US retail propane consumption declined at a ~1.3% annual rate from 2003-2013 due to structural conservation, economic recession, and competition from rival fuel sources. We expect a modest economic recovery, muted product prices, and a nascent housing recovery to help mitigate this structural decline in the near-term. In addition, we believe APU's ongoing roll-up acquisition strategy will enable market share growth and unit margin expansion.

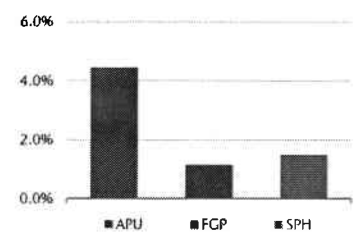
Peer Group

Group Distribution Yields



Source: FactSet

3-Year Distribution CAGR



Source: Company Reports, Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
APU	**Buy**	**$52**
FGP	NC	NC
SPH	NC	NC

Catalysts

- With historically lower propane prices, we look forward to mgmt commentary regarding forward purchase contracts on its F4Q call in an effort to increase margins
- A continuation of the current mild winter & an unseasonably warm spring in the eastern U.S. would act as a negative catalyst as the warmer than usual weather would drive down volumes

Company Description

AmeriGas Partners, L.P. (NYSE: APU) is the nation's largest retail propane marketer, serving more than 2.3 million customers in all 50 states from roughly 2,100 distribution locations. AmeriGas is a master limited partnership (MLP) and UGI Corporation (NYSE: UGI) is its sole General Partner and owns an approximate 26% Limited Partner interest. AmeriGas is organized under the laws of the state of Delaware and headquartered in King of Prussia, PA.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Please see important disclosure information on pages 52 - 56 of this report.

Energy

Rating | Target | Estimate Change

January 14, 2016

National Fuel Gas Corp. (NFG)

Buy: $60 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- Appalachian drilling to drive production & reserve growth over next several years, California to provide free cash flow
- Multiple growth projects in midstream segment add to overall Utica/Marcellus takeaway capacity
- In-service of Northern Access 2016 project in Nov. 2016 provides incremental NE takeaway capacity to pricier Dawn hub
- 2016 EPS: $2.66; F4Q16 dividend: $0.4050/share; Target Price $60

Upside Scenario

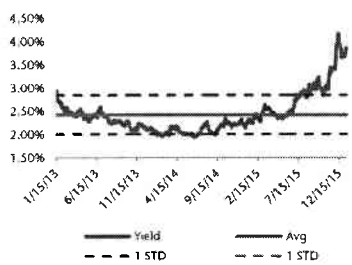
- Midstream projects come online ahead of schedule, under budget, and with high initial utilization rates, boosting returns
- Stronger than anticipated proved reserve growth and continued improvements in drilling & completion activities
- Sharp & sustained increase in natural gas and crude oil prices, limited basis issues
- Add'l midstream opportunities
- 2016 EPS: $3.00; F4Q16 dividend: $0.4150/share; Target Price: $79

Downside Scenario

- Expansion projects presently in execution encounter cost overruns and time delays
- Production & reserve growth trails our expectations. Drilling & completion efficiency gains do not materialize.
- Sharp & sustained reduction in crude oil and natural gas prices, adverse basis differentials further hinder realizations.
- Mild weather, adverse rate case decisions
- 2016 EPS: $2.50; F4Q16 dividend: $0.3950/share; Target Price: $30

Long Term Analysis

3-Year Dividend Yield



Source: FactSet, Jefferies estimates

Long Term Financial Model Drivers

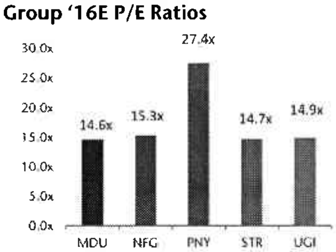
3-Year Earnings CAGR	**~0.0%**
3-Year Dividend CAGR	**2.5%**
Earnings Payout Ratio	**~50-60%**
3-Year Production CAGR	**30%**

Other Considerations

Recent M&A activity in the LDC space has some investors calling for separation of the gas utility into its own publicly-traded entity. Though the distribution company provides a nice cash supplement to NFG's production & midstream operations, a premium value arising from an acquisition of the gas distribution business could provide a boost to NFG shares.

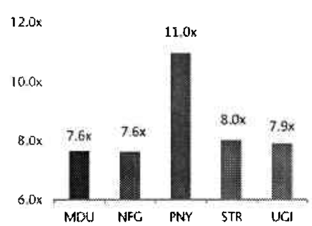
Peer Group

Group '16E P/E Ratios



Source: FactSet, Jefferies estimates

Group '16E EV/EBITDA



Source: FactSet, Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
NFG	**Buy**	**$60**
MDU	NC	NC
PNY	NC	NC
STR	Hold	$20
UGI	Hold	$36

Catalysts

- YE reserve reports (strong/weak growth in reserves will likely drive performance).
- Western Development Area (WDA) drilling results and revised assumptions.
- Execution of midstream projects & any announcement of additional expansions.
- Narrowing of NE basis differentials and the disclosure of additional favorably-priced firm sales agreements

Company Description

National Fuel Gas Company (NYSE: NFG) is a diversified energy holding company which operates in five business segments: Utility, Pipeline & Storage, Gathering, Exploration & Production, and Energy Marketing. The Utility operations are conducted by NFG Distribution Corp., which sells natural gas and provides natural gas and transportation services to ~750,000 customers western New York and northwestern Pennsylvania. The Pipeline & Storage operations are carried out by NFG Supply Corp. and Empire Pipeline, Inc., which provide interstate natural gas transportation & storage services for affiliated and nonaffiliated companies. The Exploration & Production operates via Seneca Resources Corp., which is engaged in the exploration, development and purchase of natural gas and oil reserves primarily in California and in the Appalachian region. National Fuel Gas was founded on December 8, 1902, is incorporated under the laws of the state of New Jersey, and is headquartered in Williamsville, NY.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Please see important disclosure information on pages 52 - 56 of this report.

Energy

Rating | Target | Estimate Change

January 14, 2016

Targa Resources Partners, LP (NGLS)

Buy: $16 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- Total Field natural gas inlet volumes grow ~5% from 4Q15 through 4Q16
- Fractionation & treating volumes grow at ~5.8% CAGR from 2015-2020
- Total hedge realizations contribute ~$50mm in 2016
- We assume LPG cargo activity decreases in 2017 to ~$140mm relative to the ~$280mm we project to be realized in '15
- 2016 EBITDA: ~$1.055B; 5-year distribution CAGR: ~1.3%; Target Price $16

Upside Scenario

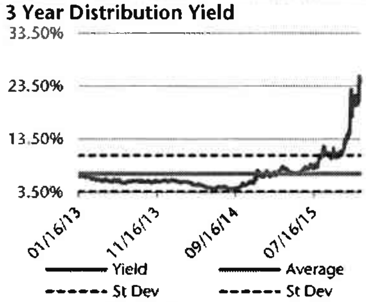
- NGL prices increase & remain elevated, expanding Field & Coastal G&P margins
- Increased capacity utilization at the fractionation and treating facilities
- Announced growth projects come online sooner than expected and under budget, boosting returns
- Short-term Galena cargo activity is higher and more profitable than our base forecast
- 2016 EBITDA: $1.5B; 5-year distribution CAGR: 10%; Target Price $28

Downside Scenario

- Project start-ups are delayed and cost over runs occur, resulting in lower returns and elevated levels of equity placement
- New Field processing plants run at sub-par utilization rates, crimping returns
- Short-term Galena activity declines sharply and remains depressed
- Realized commodity prices are near or worse than current strip pricing
- 2016 EBITDA: $990mm; 5-year distribution CAGR: 0%; Target Price $5

Long Term Analysis

3 Year Distribution Yield



Source: FactSet, Jefferies estimates

Long Term Financial Model Drivers

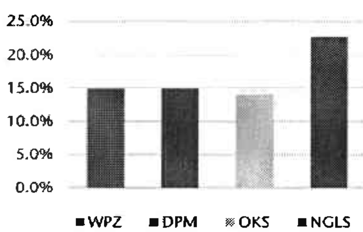
TRGP Consolidated PT	**$26**
Transaction Exchange Ratio	**0.62x**
Distributions Prior to Deal Close	**$0.83**

Other Considerations

TRGP announced along with 3Q earnings its intention to acquire all of the outstanding common units of its affiliated midstream MLP, Targa Resources Partners (NGLS). The deal is subject to unitholder vote and is expected to close in 1Q16; our model assumes unitholders vote in approval and the deal is closed during the first quarter.

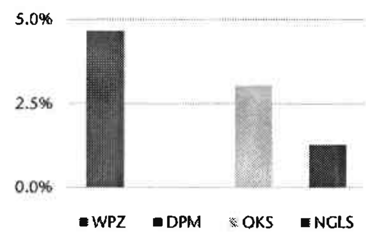
Peer Group

Group 4Q16 Distribution Yields



Source: FactSet, Jefferies estimates

Group Distribution CAGR (2015-2020)



Source: FactSet, Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
NGLS	**Buy**	**$16**
WPZ	Buy	$39
DPM	Buy	$32
OKS	Buy	$38

Catalysts

- Distribution cuts or announcements
- Drop in Galena utilization rates (quarterly earnings releases)
- LPG export data (positive/negative)

Company Description

Targa Resources Partners, L.P. (NYSE: NGLS) is a master limited partnership (MLP) which provides midstream natural gas, natural gas liquid (NGL), crude oil, and terminaling services in the Mid-Continent and Gulf Coast regions of the US. The Partnership operates in two primary divisions: Gathering & Processing and Marketing & Logistics. Targa Resources Corp. (NYSE: TRGP) is the Partnership's sole General Partner and owns an approximate 9% Limited Partner stake. The Partnership was founded on October 26, 2006, is organized under the laws of the state of Delaware, and is headquartered in Houston, TX.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

NiSource, Inc. (NI)

Hold: $19 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- Infrastructure modernization programs to generate steady growth & returns across all segments over the few next decades
- Following CPPL IPO and CPGX spin-off, NI joins utility peers with premium asset footprints and favorable regulatory climates
- ~6% dividend CAGR from 2016-20; ~4% EPS CAGR from 2016-20
- 2016 Adj. EPS: $1.06; 4Q16 dividend: $0.17/share; Target Price $19

Upside Scenario

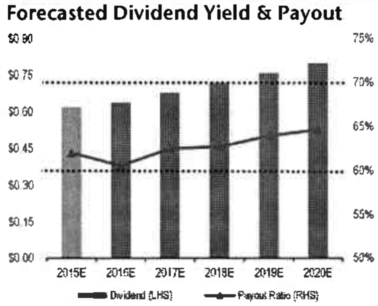
- Customer growth grows faster than projected ~0.5% per year assumption and alternative source of regulated revenues are secured
- NI spends above the high-end of its guidance range, growing rate base faster than anticipated
- Mgmt reduces debt load generating interest cost savings
- 2016 Adj. EPS: $1.15; 4Q16 dividend: $0.175/share; Target Price: $24

Downside Scenario

- Customer growth is slower than projected ~0.5% per year assumption, or negative
- NI spends below the low-end of its guidance range, and rate base growth is slower than anticipated
- Cost overruns and rising debt loads weigh on EPS
- Adverse regulatory and rate case outcomes
- 2016 Adj. EPS: $0.95; 4Q16 dividend: $0.16/share; Target Price: $16

Long Term Analysis

Forecasted Dividend Yield & Payout



Source: Jefferies estimates

Long Term Financial Model Drivers

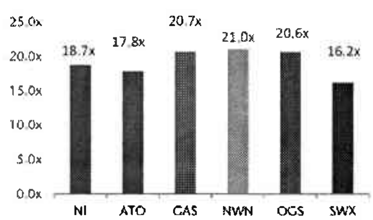
5-Year EPS CAGR	~4.5%
'15-'20 Dividend CAGR	~5.2%
Payout Ratio	~63%
Terminal Cash Flow Growth Rate	2.0%

Other Considerations

Given the fragment nature of the LDC sector, muted growth characteristics, low interest rates, and a recent up-tick in M&A, we believe further consolidation is likely. With its 100% regulated profile and solid earnings & dividend growth projections, we believe NI could be both a buyer & seller.

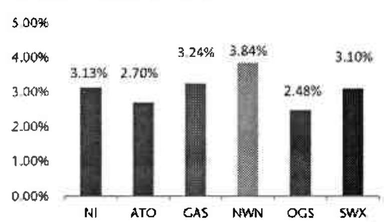
Peer Group

Group FY2 P/Es



Source: FactSet, Jefferies estimates

Group Dividend Yield



Source: FactSet, Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
NI	**Hold**	**$19**
ATO	NC	NC
GAS	NC	NC
NWN	NC	NC
OGS	Hold	$44
SWX	Hold	$57

Catalysts

- Continued regulatory progress and reduction in regulatory lag could improve earnings growth
- Extension or expansion of modernization programs across any/all service territories
- Increased revenue-normalization efforts and reduction in volumetric sensitivities

Company Description

NiSource, Inc. (NYSE: NI) is a public utility holding company whose subsidiaries provide natural gas and electricity to 4 million US customers. The Gas Distribution operations provide natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The Electric Operations segment provides electric service in various counties in the northern part of Indiana. In 2015 NiSource separated from a diversified energy holding company to a public utility operator via the separation of its former midstream business, now separately publicly traded as Columbia Pipeline Group (NYSE: CPGX). NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Spectra Energy Partners, L.P. (SEP)

Buy: $53 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- Organic expansions are placed into service on time and within budget, and proposed projects are steadily moved into execution.
- Express-Platte continues to capitalize on crude oil transport opportunities
- Annual equity placements range from $150-$750mm over the forecast period and are largely satisfied with ATM usage
- 2016 EBITDA: $1.82B; 5-year distribution CAGR: 7.6%; Target Price $53

Upside Scenario

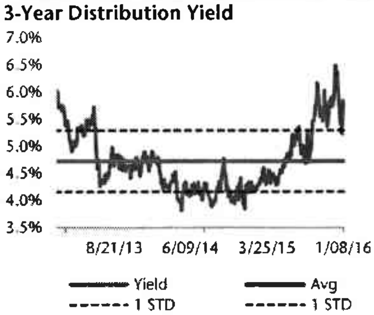
- Growth projects come online faster than anticipated and under budget, boosting SEP's projected returns.
- SEP is capable of repopulating its project inventory and swiftly moving proposed projects into execution.
- Natural gas pricing volatility and seasonal spreads return, boosting the earnings power and value of SEP's storage assets.
- 2016 EBITDA: $2.0B; 5-year distribution CAGR: 10%; Target Price: $65

Downside Scenario

- Project start-ups are delayed and cost overruns occur, resulting in lower returns and larger than expected equity raises.
- Mild production & consumption trends limit future growth opportunities across SEP's portfolio; interest rates rise rapidly.
- Maintenance capex needs prove to be higher than our forecasts, crimping DCF
- 2016 EBITDA: $1.5B; 5-year distribution CAGR: 5.0%; Target Price: $40

Long Term Analysis

3-Year Distribution Yield



Source: FactSet. Jefferies estimates

Long Term Financial Model Drivers

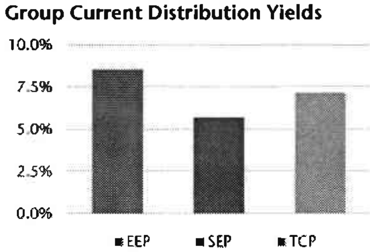
Terminal Cost of Equity	**~8.50%**
Terminal Growth Rate	**~2.00%**
LT Annual Maintenance Capex	**~$315mm**
LT Net Debt / EBITDA	**~3.3x**

Other Considerations

Following the drop-down of SE's T&S and Liquids assets, SEP has transitioned from a 'potential drop-down candidate' into an execution-driven growth story. However, SE still retains ~84% of SEP's LP units, creating a very tight public float and limited trading liquidity. Given the sizable skew in its asset size vs. its public float, we note the risk of outsized swings in LP unit prices.

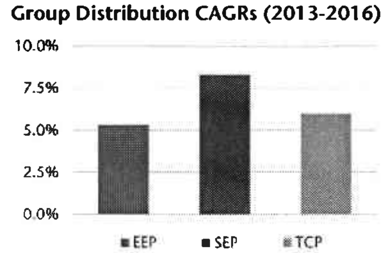
Peer Group

Group Current Distribution Yields



Source: FactSet, Jefferies estimates

Group Distribution CAGRs (2013-2016)



Source: FactSet, Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
SEP	**Buy**	**$53**
EEP	NC	NC
TCP	NC	NC

Catalysts

- Quarterly distribution raises to drive unit-price increases (these precede earnings).
- Project in-service announcements, movement of proposed projects into execution, and the identification of new expansion projects

Company Description

Spectra Energy Partners, L.P. (NYSE: SEP) is a master limited partnership (MLP) engaged in the transportation and storage of natural gas and crude oil, primarily in the eastern US. The Partnership's interstate gas transmission pipeline and storage operations are principally regulated by the Federal Energy Regulatory Commission (FERC), though some oversight is also provided by various state commissions. Spectra Energy Corp. (NYSE: SE) is the Partnership's sole General Partner and owns an approximate 83% Limited Partner stake. The Partnership was formed on March 19, 2007, is organized under the laws of the state of Delaware, and is headquartered in Houston, TX.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Questar Corporation (STR)

Hold: $20 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- Related, integrated business mix provides steady earnings & dividend growth
- Market opportunities support $25-$50mm of annual upstream acquisitions for the next 20 years to be included in Wexpro II ; each $1 of acquisition capital leads to $2 of long-term development capital
- Wexpro I & II renegotiated to include a ~7.6% regulated return on future development spending
- 2016 EPS: $1.31; 5-year dividend CAGR: 1.1%; Target Price $20

Upside Scenario

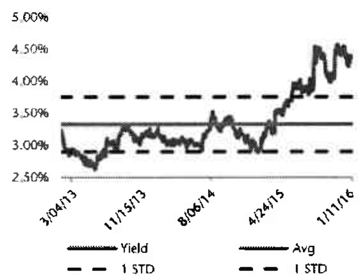
- Questar gas physical needs rise, lifting the demand for equity gas & prompting elevated acquisition & development activities at Wexpro
- Questar Fueling expands to provide a more significant source of earnings & growth
- Gas price volatility & higher aggregate price levels prompt 3rd parties to formally underwrite additional Wexpro models
- Rockies gas rises above cost of service level
- 2016 EPS: $1.40; 5-year dividend CAGR: 5.0%; Target Price: $25

Downside Scenario

- Lack of suitable upstream acquistions & limited Questar gas volumetric need cuts Wexpro activities, limiting investment base growth
- Unfavorable regulatory outcomes & adverse changes to service territory population & demographic trends
- Inability to earn authorized ROE levels
- Rockies gas remains below cost of service levels
- 2016 EPS: $1.20; 5-year dividend CAGR: 0.0%; Target Price: $15

Long Term Analysis

3-Year Dividend Yield



Source: FactSet, Jefferies estimates

Long Term Financial Model Drivers

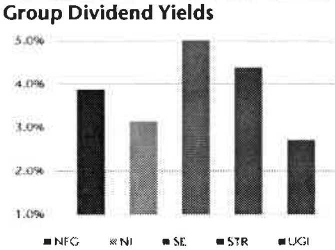
LT Earnings CAGR	**~1.0%**
5-Year Dividend CAGR	**~1.1%**
Earnings Payout Ratio	**~65%**
Investment Base 5-Year CAGR	**~1.0%**

Other Considerations

The adoption of natural gas technologies, power gen conversions, home NGV refueling units, and LNG exports may help support domestic natural gas prices in coming years. If such developments drive aggregate prices higher and generate elevated levels of price volatility, a cost-of-service model like Wexpro may become popular with utilities and other large physical users of natural gas trying to hedge long-term pricing risk.

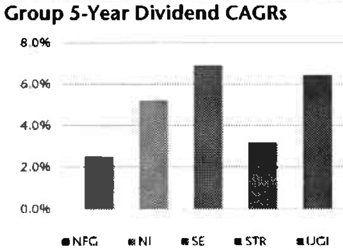
Peer Group

Group Dividend Yields



Source: FactSet, Jefferies estimates

Group 5-Year Dividend CAGRs



Source: FactSet, Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
STR	**Hold**	**$20**
NFG	Buy	$60
NI	Hold	$19
SE	Hold	$26
UGI	Hold	$36

Catalysts

- Large acquisions of PUD-heavy natural gas reserves at attractive prices & subsequent inclusion in Wexpro II & Wexpro III
- Dividend increase (anticipated every three quarters)
- Continued growth at Questar Fueling, including the construction of additional fueling stations or corporate partnerships

Company Description

Questar Corporation (NYSE: STR) is an integrated natural gas holding company which operates via four wholly-owned subsidiaries: Questar Gas Company, Questar Pipeline Company, Wexpro Company, and Questar Fueling. Questar Gas provides retail natural gas distribution service to Utah, Wyoming, and Idaho and is regulated by the respective state utility commissions. Questar Pipeline operates FERC-regulated interstate natural gas pipelines and storage facilities in the western US & provides other energy services. Wexpro develops and produces natural gas from cost-of-service reserves for the benefit of Questar Gas customers. Questar Fueling develops, owns, and operates natural gas fueling facilities, primarily for large commercial vehicles. Questar was founded in 1922, is incorporated under the laws of the state of Utah, and is headquartered in Salt Lake City, UT.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Sunoco, LP (SUN)

Buy: $50 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- Fuel distribution volumes grow at a mid-single digit growth rate through 2019
- Ongoing drop-downs from ETP continue through 2019 & are financed with a ~50/50 debt/equity split
- Assume the Susser Petroleum fee is increased to 4¢/gallon, from 3¢/gallon, in conjunction with the SUSS drop-down
- Assets are dropped at ~11x FTM EBITDA
- 2016 EBITDA: $885mm; 5-year distribution CAGR: 9.25%; Target Price: $50

Upside Scenario

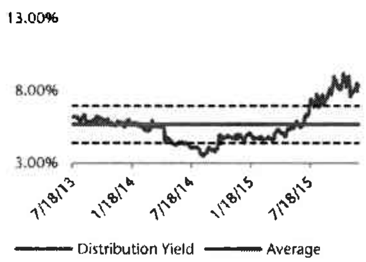
- Crude prices remain lower longer, driving strong sales growth and margin expansion.
- Additional synergies from ETP drop-downs help drive incremental accretion & improve returns
- 3rd party acquisitions completed with limited equity capital required
- Merchandise margins expand in conjunction with additional customer demand
- 2016 EBITDA: $1.0B; 5-year distribution CAGR: 15.0%; Target Price: $62

Downside Scenario

- Rival fuel sources begin capturing gasoline market share, leading to a demand decline.
- SUN is unable to close accretive, bolt-on acquisitions and sales decline as a result of energy efficient vehicles.
- Crude prices rise faster than expected, crimping sales, margins, and cash flows.
- Capital market volatility leads to sizable secondary issuance costs (price discounts)
- 2016 EBITDA: $600mm; 5-year distribution CAGR: 7.0%; Target Price: $35

Long Term Analysis

Historical Distribution Yield



Source: FactSet, Jefferies estimates

Long Term Financial Model Drivers

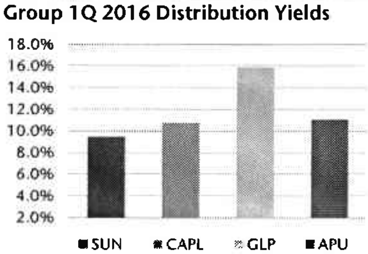
LT Gross Proft/Gal	**~10.6¢**
Terminal Distribution Growth Rate	**1.25%**
LT Net Debt/EBITDA	**~4.3x**

Other Considerations

We expect SUN to utilize existing NOLs to shield itself from all cash tax obligations for several years as non-qualifiable assets find their way into the portfolio. In addition, as the NOL balance begins to draw closer to zero, thus increasing the tax burden from Susser and Sunoco Inc., we believe SUN can mitigate the pending shift by renegotiating its original Fuel Distribution Agreement with Susser for a higher rate than current 3¢/gallon.

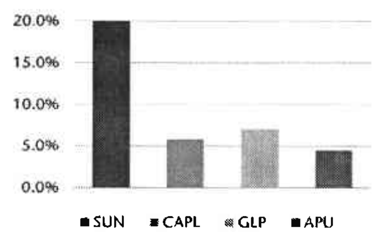
Peer Group

Group 1Q 2016 Distribution Yields



Source: FactSet, Jefferies estimates

3-Year Distribution CAGR



Source: Company Reports, Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
SUN	**Buy**	**$50**
CAPL	NC	NC
GLP	NC	NC
APU	Buy	$52

Catalysts

- Recontracting of original Susser Petroleum 3¢/gallon wholesale tariff
- Quarterly distribution raises should precede earnings and, as management does not provide guidance, could act as a catalyst for the units

Company Description

Sunoco, L.P. (NYSE: SUN) is a Master Limited Partnership (MLP) engaged in the retail & wholesale marketing and distribution of motor fuel throughout Texas the eastern seaboard of the United States. It completed an initial public offering (IPO) in September 2012 (formally as Susser Petroleum Partners). Sunoco conducts business through its principal operating subsidiary, Susser Petroleum Operating Company, LLC. (SPOC) which is further divided into two sub-units; Susser Petroleum Property Company LLC (Propco) and Qualifying Business. The Partnership is a Delaware limited partnership.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Rating | Target | Estimate Change

January 14, 2016

Targa Resources Corp. (TRGP)

Buy: $26 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- Total Field natural gas inlet volumes grow ~5% from 4Q15 through 4Q16
- Fractionation & treating volumes grow at ~5.8% CAGR from 2015-2020
- Total hedge realizations contribute ~$50mm in 2016
- We assume LPG cargo activity decreases in 2017 to ~$140mm relative to the ~$280mm we project to be realized in '15
- 2016 EPS: $0.09; 2016 EBITDA: $1.041B; 2016 Dividend: $3.78; Target Price: $26

Upside Scenario

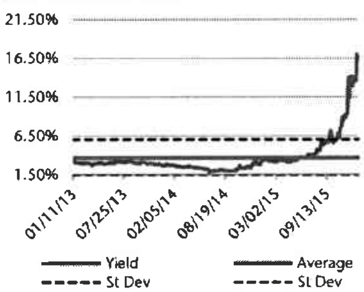
- NGL prices increase & remain elevated, expanding Field & Coastal G&P margins
- Increased capacity utilization at the fractionation and treating facilities
- Announced growth projects come online sooner than expected and under budget, boosting returns
- Short-term Galena cargo activity is higher and more profitable than our base forecast
- 2016 EPS: $1.00; 2016 EBITDA: $1.35B; 2016 Dividend: $4.11; Target Price: $45

Downside Scenario

- Project start-ups are delayed and cost over runs occur, resulting in lower returns and elevated levels of equity placement
- New Field processing plants run at sub-par utilization rates, crimping returns
- Short-term Galena activity declines sharply and remains depressed
- Realized commodity prices are near or worse than current strip pricing
- 2016 EPS: $(0.50); 2016 EBITDA: $850mm; 2016 Dividend: $0.04; Target Price: $7

Long Term Analysis

3-Yr Dividend Yield



Source: FactSet, Jefferies estimates

Long Term Financial Model Drivers

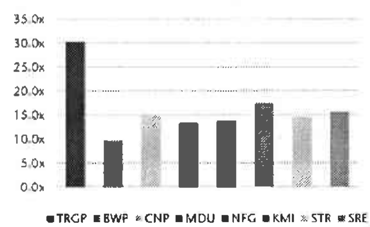
Peer Avg. 2017 EV/EBITDA	~7.8x
Peer Avg. 2017 Price/Earnings	~15.0x
Terminal Dividend Growth Rate	0%
2016 Net Debt/EBITDA	~5.7x

Other Considerations

TRGP announced along with 3Q earnings its intention to acquire all of the outstanding shares of its affiliated midstream MLP, Targa Resources Partners (NGLS). The deal is subject to unitholder vote and is expected to close in 1Q16; our model assumes unitholders vote in approval and the deal is closed during the first quarter.

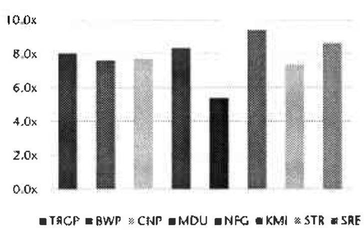
Peer Group

Group 2017 Price/Earnings



Source: FactSet, Jefferies estimates

Group 2017 EV/EBITDA



Source: FactSet, Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
TRGP	**Buy**	**$26**
BWP	NC	NC
CNP	NC	NC
MDU	NC	NC
NFG	Buy	$60
KMI	Hold	$14
STR	Hold	$20
SRE	NC	NC

Catalysts

- Dividend cuts or announcements
- Drop in Galena utilization rates (quarterly earnings releases)
- LPG export data (positive/negative)

Company Description

Targa Resources Corp. (NYSE: TRGP) is a Delaware corporation that provides midstream natural gas and natural gas liquids services through its affiliated MLP, Targa Resources Partners, L.P. (NYSE: NGLS). The Corporation does not directly own any operating assets, but derives revenues and cash flows from its General and Limited Partner interests in NGLS, including Incentive Distribution Rights (IDRs). Targa was formed in October 2005 and completed an initial public offering in December 2010. The company is organized under the laws of the state of Delaware and headquartered in Houston, TX.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Company Description

AmeriGas Partners, L.P. (NYSE: APU) is the nation's largest retail propane marketer, serving more than 2.3 million customers in all 50 states from roughly 2,100 distribution locations. AmeriGas is a master limited partnership (MLP) and UGI Corporation (NYSE: UGI) is its sole General Partner and owns an approximate 26% Limited Partner interest. AmeriGas is organized under the laws of the state of Delaware and headquartered in King of Prussia, PA.

Columbia Pipeline Group (NYSE: CPGX) is a Delaware-based Corporation engaged in the gathering, processing, transportation, storage, and marketing of natural gas. In July 2015, CPGX will complete its tax-free spin-off from NiSource. Through its ~84% interest in Columbia OpCo, CPGX owns and operates ~15,000 miles of interstate natural gas transmission assets, ~300 Bcf of underground storage capacity, and gathering & processing assets. Columbia Pipeline Partners, L.P. is headquartered in Houston, TX. Columbia Energy Groupis CPPL's general partner & currently owns ~7mm common units and ~47mm subordinated units (~54% LP stake), GP interests, and 100% interest in the Incentive Distribution Rights (IDRs).

Columbia Pipeline Partners, L.P. (NYSE: CPPL) is a Master Limited Partnership (MLP) engaged in the gathering, processing, transportation, storage, and marketing of natural gas. In February 2015, CPPL completed its IPO as a MLP, offering 40mm common units (46mm including over allotment). Through its ~15.6% interest in Columbia OpCo, CPPL owns and operates ~15,000 miles of interstate natural gas transmission assets, ~300 Bcf of underground storage capacity, and gathering & processing assets. Columbia Pipeline Partners, L.P. is headquartered in Houston, TX. Columbia Energy Group, a wholly-owned subsidiary of Columbia Pipeline Group, Inc. (NYSE: CPGX) is CPPL's general partner & currently owns ~7mm common units and ~47mm subordinated units (~54% LP stake), GP interests, and 100% interest in the Incentive Distribution Rights (IDRs).

DCP Midstream Partners, L.P. (NYSE: DPM) is a master limited partnership (MLP) engaged in the business of gathering, compressing, treating, processing, fractionating, transporting, storing, and selling natural gas, condensate, and natural gas liquids (NGLs). The Partnership's operations are organized into three business segments: Natural Gas Services, NGL Logistics, and Wholesale Propane Logistics. DCP Midstream, LLC is the Partnership's sole General Partner and also owns an approximate 23% Limited Partner stake. DCP Midstream, LLC is, in turn, jointly owned by Phillips 66 (NYSE: PSX) and Spectra Energy Corp. (NYSE: SE). DPM was formed in August 2005, completed its initial public offering on December 7, 2005, is organized under the laws of the state of Delaware, and is headquartered in Denver, CO.

Energy Transfer Equity, L.P. (NYSE: ETE) is a master limited partnership (MLP) which owns the general partner and 100% of the incentive distribution rights (IDRs) of Energy Transfer Partners, L.P. (NYSE: ETP), ~2.6 million ETP common units, the general partner and 100% of the incentive distribution rights (IDRs) of Sunoco, L.P. (NYSE: SUN), and ~81.0 million ETP Class H Units, which track 90% of the underlying economics of the general partner interest and IDRs of Sunoco Logistics Partners L.P. (NYSE:SXL). On a consolidated basis, ETE's family of companies owns and operates approximately 71,000 miles of natural gas, natural gas liquids, refined products, and crude oil pipelines.

Energy Transfer Partners, L.P. (NYSE: ETP) is a master limited partnership (MLP) engaged in natural gas & NGL transportation, storage, and fractionation. In aggregate, ETP owns ~62,000 miles of natural gas & NGL pipelines. In addition, ETP owns the general partner, 100% of the incentive distribution rights, and ~67mm common units in Sunoco Logistics Partners L.P. (NYSE: SXL), which operates a geographically diverse portfolio of crude oil and refined products pipelines. ETP also owns 100% of Sunoco, Inc. and ~68% of Sunoco LLC, and ~50% of the limited partner interests in Sunoco LP (NYSE: SUN), a wholesale fuel distributor and convenience store operator. ETP's general partner is owned by Energy Transfer Equity (NYSE: ETE).

EnLink Midstream, LLC (NYSE: ENLC) is a Delaware LLC engaged in the gathering, processing, transportation, storage, and marketing of natural gas, natural gas liquids, and crude oil. ENLC was formed in early 2014 out of the former CrossTex Energy and Devon Energy's (NYSE: DVN) midstream assets. ENLC owns a ~29% LP interest in its underlying MLP, EnLink Midstream Partners, LP (ENLK), as well as the GP interest and all of the Incentive Distribution Rights (IDRs). Today, DVN owns an approximate ~70% common unit interest in ENLC. EnLink Midstream, LLC is headquartered in Dallas, TX.

EnLink Midstream Partners, L.P. (NYSE: ENLK) is a Master Limited Partnership (MLP) engaged in the gathering, processing, transportation, storage, and marketing of natural gas, natural gas liquids, and crude oil. ENLK operates out of three geographic segments and one asset-specific segment: the Texas, Oklahoma, Louisiana, and Crude & Condensate segments. ENLK was formed in October 2013 out of the former CrossTex Energy and Devon Energy's (NYSE: DVN) midstream assets. Today, DVN owns an approximate ~30% common unit interest in ENLK. EnLink Midstream Partners, L.P. is headquartered in Dallas, TX.

Enterprise Products Partners, L.P. (NYSE: EPD) is a master limited partnership and leading provider of North American midstream services to producers & consumers of natural gas, NGLs, crude oil, refined products, and petrochemicals. The Partnership's assets include approximately

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

50,000 miles of pipelines; 200 MMBbls of NGL, petrochemical, refined product, and crude oil storage capacity; and 14 Bcf of natural gas storage capacity. In addition, EPD operates 24 natural gas processing plants, 21 NGL and propylene fractionators, six offshore hub platforms in the GOM, a butane isomerization complex, NGL import/export terminals, and octane enhancement and high-purity isobutylene production facilities. EPD was founded in April, 1998, is organized under the laws of the state of Delaware, and is headquartered in Houston, TX.

Kinder Morgan, Inc. (NYSE: KMI) is the largest midstream energy company in North America. It owns an interest in and/or operates approximately 80,000 miles of pipelines and 180 terminals. KMI's pipelines transport natural gas, gasoline, crude oil, CO2, and other products, and its terminals store petroleum products and chemicals and handle ethanol, coal, petroleum coke, and steel. KMI conducts its business through five reportable segments: Products Pipelines, Natural Gas Pipelines, CO2, Terminals, and Kinder Morgan Canada. KMI is a leading producer and transporter of carbon dioxide (CO2) for enhanced oil recovery projects. KMI was founded on August 23, 2006, is incorporated under the laws of the State of Delaware, and is headquartered in Houston, TX.

National Fuel Gas Company (NYSE: NFG) is a diversified energy holding company which operates in five business segments: Utility, Pipeline & Storage, Gathering, Exploration & Production, and Energy Marketing. The Utility operations are conducted by NFG Distribution Corp., which sells natural gas and provides natural gas and transportation services to ~750,000 customers western New York and northwestern Pennsylvania. The Pipeline & Storage operations are carried out by NFG Supply Corp. and Empire Pipeline, Inc., which provide interstate natural gas transportation & storage services for affiliated and nonaffiliated companies. The Exploration & Production operates via Seneca Resources Corp., which is engaged in the exploration, development and purchase of natural gas and oil reserves primarily in California and in the Appalachian region. National Fuel Gas was founded on December 8, 1902, is incorporated under the laws of the state of New Jersey, and is headquartered in Williamsville, NY.

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4 million US customers. The Company operates through three segments: Gas Distribution, Columbia Pipeline Group, and Electric. The Gas Distribution operations provide natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. Columbia Pipeline Group offers gas transportation and storage services for Local distribution companies, marketers and industrial and commercial customers located in Northeastern, Mid-Atlantic, Midwestern and Southern states. The Electric Operations segment provides electric service in various counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

ONE Gas Inc. (NYSE: OGS) is Local Distribution Company (LDC), which, in terms of customer count, is the third largest natural gas utility in the United States. OGS is the successor of a company founded in 1906 as Oklahoma Natural Gas Company. OGS's service territories include Oklahoma, Kansas, and Texas. ONE Gas is 100% regulated and currently serves ~2.1 million customers throughout its service territories. Despite the LDC market categorized as an extremely fragmented industry, we note that OGS is the largest distributor of natural gas in both Oklahoma and Kansas and the third largest distributor in Texas. OGS's customer base includes residential, commercial & industrial, wholesale & public authority, and transportation.

ONEOK Inc. (NYSE: OKE) is a diversified energy company engaged in the gathering, processing, storage, and transportation of natural gas and natural gas liquids. ONEOK is the sole General Partner of ONEOK Partners, L.P. (NYSE: OKS), a premier mid-continent NGL operator, in which it also owns an approximate 40% Limited Partner interest. In addition, its natural gas distribution operations serve more than 2 million customers across Oklahoma, Kansas, and Texas. ONEOK was founded in 1906, is organized under the laws of the state of Oklahoma, and is headquartered in Tulsa, OK.

ONEOK Partners, L.P. (NYSE: OKS) is a master limited partnership (MLP) engaged in the gathering, processing, storage, and transportation of natural gas and natural gas liquids (NGLs) throughout the Mid-Continent and Rocky Mountain regions. ONEOK Inc. (NYSE: OKE) is the Partnership's sole General Partner and owns an approximate 43% Limited Partner stake. The Partnership was formed in 1993, is organized under the laws of the state of Delaware, and is headquartered in Tulsa, OK.

Plains All American Pipeline, L.P. (NYSE: PAA) is a master limited partnership (MLP) engaged in the transportation, storage, terminalling, and marketing of crude oil, refined products, liquefied petroleum gas, and other natural gas-related petroleum products. It operates through three business segments: Transportation, Facilities, and Supply & Logistics. The Transportation segment houses operations that transport crude oil and refined products on pipelines, gathering systems, trucks and barges. The Facilities segment consists of fee-based activities associated with providing storage, terminalling and throughput services for crude oil, refined products, LPG and natural gas, as well LPG fractionation and isomerization services. The Supply and Logistics segment is engaged in the sale of gathered and bulk-purchased crude oil and natural gas liquids volumes. Plains is the sole General Partner of PAA Natural Gas Storage, L.P. (NYSE: PNG), in which it also holds an approximate 62% Limited Partner stake. The company was founded in 1998, is organized under the laws of the state of Delaware, and is headquartered in Houston, TX.

Plains GP Holdings (NYSE: PAGP) is a Delaware limited partnership that has elected to be treated as a corporation for US federal tax purposes. PAGP is principally engaged in the transportation, storage, terminalling, and marketing of crude oil, refined products, and natural gas liquids (NGLs) via its Master Limited Partnership (MLP), Plains All American Pipeline, L.P. (NYSE: PAA). PAGP does not directly own any operating assets, but derives its revenues & cash flows from its General Partner interests in AAP (Plains AAP, L.P), including Incentive Distribution Rights (IDRs). Plains completed an initial public offering in October 2013, is organized under the laws of the state of Delaware, and is headquartered in Houston, TX.

Questar Corporation (NYSE: STR) is an integrated natural gas holding company which operates through four wholly-owned subsidiaries: Questar Gas Company, Questar Pipeline Company, Wexpro Company, and Questar Fueling. Questar Gas provides retail natural gas distribution service to Utah, Wyoming, and Idaho and is regulated by the respective state utility commissions. Questar Pipeline operates FERC-regulated interstate natural gas pipelines and storage facilities in the western US and provides other energy services. Wexpro develops and produces natural gas from cost-of-service reserves for the benefit of Questar Gas customers. Questar Fueling develops, owns, and operates natural gas fueling facilities, primarily for large commercial vehicles. Questar was founded in 1922, is incorporated under the laws of the state of Utah, and is headquartered in Salt Lake City, UT.

Southwest Gas purchases, distributes, and transports natural gas in the states of Arizona, Nevada, and California to residential, commercial, and industrial users. It is the largest natural gas distributor in Arizona and Nevada, providing service to the Phoenix, Tucson, and Las Vegas metropolitan regions among others. Southwest Gas' wholly-owned subsidiary, NPL Construction, is a full-service underground piping contractor that provides trenching, installation, replacement, and maintenance services for energy distribution systems at utility companies nationwide. The Company was founded in March 1931, is incorporated under the laws of the State of California, and is headquartered in Las Vegas, NV.

Spectra Energy Corp (NYSE: SE), through its subsidiaries and equity affiliates, owns and operates a large and diverse portfolio of complementary natural gas, natural gas liquid (NGL), and crude oil assets in the US and Canada. The company functions in three key areas of the energy industry: gather & processing, transmission & storage, and distribution. Spectra owns a 50% interest in DCP Midstream, LLC, one of the leading natural gas gatherers in the US and one of the nation's largest producers and marketers of NGLs. In addition, Spectra is the sole General Partner of Spectra Energy Partners (NYSE: SEP), a transportation & storage MLP, in which it also owns an approximate 60% Limited Partner interest. The company was formed via a spin-out from Duke Energy (NYSE: DUK) on January 2, 2007, is organized under the laws of the state of Delaware, and is headquartered in Houston, TX.

Spectra Energy Partners, L.P. (NYSE: SEP) is a master limited partnership (MLP) engaged in the transportation and storage of natural gas and crude oil, primarily in the eastern US. The Partnership's interstate gas transmission pipeline and storage operations are principally regulated by the Federal Energy Regulatory Commission (FERC), though some oversight is also provided by various state commissions. Spectra Energy Corp. (NYSE: SE) is the Partnership's sole General Partner and owns an approximate 83% Limited Partner stake. The Partnership was formed on March 19, 2007, is organized under the laws of the state of Delaware, and is headquartered in Houston, TX.

Sunoco Logistics Partners, L.P. (NYSE: SXL) is a Master Limited Partnership (MLP) engaged in the transportation, storage, and marketing of crude oil, refined products, natural gas liquids, and other natural gas related products. In February 2002, SXL completed its IPO as a MLP, offering 5.75mm common units. Today, SXL is one of the largest midstream crude oil & NGL logistics companies in North America with approximately 5,400 miles of crude pipelines, 39 products terminals, and ~2,500 miles of refined products pipelines. Sunoco Logistics Partners, L.P. is headquartered in Philadelphia, PA. SXL's general partner, Energy Transfer Partners, LP (NYSE: ETP) is Master Limited Partnership which owns and operates one of the largest and most diversified portfolio of energy assets in the US. ETP currently owns ~67mm common units (~32% LP stake), 2% GP interest, and 100% interest in the Incentive Distribution Rights (IDRs).

Sunoco, L.P. (NYSE: SUN) is a Master Limited Partnership (MLP) engaged in the retail & wholesale marketing and distribution of motor fuel throughout Texas the eastern seaboard of the United States. It completed an initial public offering (IPO) in September 2012 (formally as Susser Petroleum Partners). Sunoco conducts business through its principal operating subsidiary, Susser Petroleum Operating Company, LLC. (SPOC) which is further divided into two sub-units; Susser Petroleum Property Company LLC (Propco) and Qualifying Business. The Partnership is a Delaware limited partnership.

Targa Resources Corp. (NYSE: TRGP) is a Delaware corporation that provides midstream natural gas and natural gas liquids services through its affiliated MLP, Targa Resources Partners, L.P. (NYSE: NGLS). The Corporation does not directly own any operating assets, but derives revenues and cash flows from its General and Limited Partner interests in NGLS, including Incentive Distribution Rights (IDRs). Targa was formed in

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

October 2005 and completed an initial public offering in December 2010. The company is organized under the laws of the state of Delaware and headquartered in Houston, TX.

Targa Resources Partners, L.P. (NYSE: NGLS) is a master limited partnership (MLP) which provides midstream natural gas, natural gas liquid (NGL), crude oil, and terminaling services in the Mid-Continent and Gulf Coast regions of the US. The Partnership operates in two primary divisions: Gathering & Processing and Marketing & Logistics. Targa Resources Corp. (NYSE: TRGP) is the Partnership's sole General Partner and owns an approximate 12% Limited Partner stake. The Partnership was founded on October 26, 2006, is organized under the laws of the state of Delaware, and is headquartered in Houston, TX.

The Williams Companies, Inc. (NYSE: WMB) is a premier, integrated energy infrastructure company with operations in the US and Canada. It operates through four segments: Williams Partners, Williams NGL & Petchem Services, Access Midstream Partners, and Other. The Williams Partners segment accounts for the General Partner & Limited Partner interests in Williams Partners, L.P. (NYSE: WPZ), which operates natural gas pipeline and domestic midstream businesses. The Williams NGL & Petchem Services comprises Canadian midstream operations. The Access Midstream Partners segment accounts for the General Partner & Limited Partner interests in Access Midstream Partners, L.P. (NYSE: ACMP), which provides gathering, processing, treating and compression services to producers under long-term, fee-based contracts. The Other segment comprise corporate operations. The Company was founded in 1908, is incorporated in Delaware, and headquartered in Tulsa, OK.

UGI Corporation (NYSE: UGI) is a holding company that, through subsidiaries, distributes, stores, transports and markets energy products and services. It is the sole General Partner of AmeriGas Partners, L.P. (NYSE: APU), the largest US propane distributor, in which it also owns an approximate 26% Limited Partner interest. UGI distributes natural gas and electricity to approximately 635,000 customers in eastern PA, operates merchant power and midstream assets in the Mid-Atlantic, and has LPG distribution operations in France and Eastern Europe. The company was founded in 1882, is organized under the laws of the state of Pennsylvania, and is headquartered in King of Prussia, PA.

Williams Partners, L.P. (NYSE: WPZ) is a master limited partnership (MLP) which operates a diverse portfolio of complementary energy assets. Its operations are primarily focused on natural gas transportation & storage, gathering & processing, natural gas liquid fractionation, oil transportation, and olefins production in the US. WPZ's General Partner interests and Incentive Distribution Rights (IDRs) are owned by Williams Companies (NYSE: WMB), who also own a ~58% Limited Partners stake. The Partnership was formed in 2005, merged with Access Midstream in 2015, and is organized under the laws of the state of Delaware, and is headquartered in Tulsa, OK.

Analyst Certification:

I, Christopher Sighinolfi, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
I, Christopher Tillett, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
I, Corey Goldman, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
I, Henry Mullen, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.
Jefferies LLC is acting as EnLink's primary financial and technical advisor on the Tall Oak transaction.

Company Specific Disclosures

For Important Disclosure information on companies recommended in this report, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 212.284.2300.

Explanation of Jefferies Ratings

Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.
Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.
The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.
NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/ or Jefferies policies.
CS - Coverage Suspended. Jefferies has suspended coverage of this company.
NC - Not covered. Jefferies does not cover this company.
Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.
Monitor - Describes securities whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Jefferies Franchise Picks

Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

Risks which may impede the achievement of our Price Target

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.

Other Companies Mentioned in This Report

- AmeriGas Partners, L.P. (APU: $37.00, BUY)
- Columbia Pipeline Group, Inc. (CPGX: $17.00, BUY)
- Columbia Pipeline Partners, L.P. (CPPL: $14.04, BUY)
- DCP Midstream Partners, L.P. (DPM: $19.61, BUY)
- Energy Transfer Equity, L.P. (ETE: $8.98, BUY)
- Energy Transfer Partners, L.P. (ETP: $25.12, BUY)
- EnLink Midstream LLC (ENLC: $12.65, BUY)
- EnLink Midstream Partners, LP (ENLK: $12.07, BUY)
- Enterprise Products Partners, L.P. (EPD: $21.79, BUY)
- Kinder Morgan, Inc. (KMI: $12.95, HOLD)
- National Fuel Gas Company (NFG: $40.04, BUY)
- NiSource Inc. (NI: $19.47, HOLD)
- ONE Gas Inc. (OGS: $48.95, HOLD)
- ONEOK Inc. (OKE: $20.97, BUY)
- ONEOK Partners, L.P. (OKS: $24.97, BUY)
- Plains All American Pipeline, L.P. (PAA: $19.85, BUY)
- Plains GP Holdings, L.P. (PAGP: $7.10, BUY)
- Questar Corp. (STR: $18.74, HOLD)
- Southwest Gas Corporation (SWX: $56.93, HOLD)

 Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

- Spectra Energy Corp. (SE: $24.19, HOLD)
- Spectra Energy Partners, L.P. (SEP: $42.88, BUY)
- Sunoco Logistics Partners, LP (SXL: $18.99, BUY)
- Sunoco LP (SUN: $33.19, BUY)
- Targa Resources Corp. (TRGP: $17.28, BUY)
- Targa Resources Partners, L.P. (NGLS: $10.61, BUY)
- The Williams Companies, Inc. (WMB: $13.61, BUY)
- UGI Corporation (UGI: $32.89, HOLD)
- Williams Partners, L.P. (WPZ: $16.22, BUY)

Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	1166	54.13%	335	28.73%
HOLD	822	38.16%	163	19.83%
UNDERPERFORM	166	7.71%	19	11.45%

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Other Important Disclosures

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC ("Jefferies") group companies:

United States: Jefferies LLC which is an SEC registered firm and a member of FINRA.

United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

India: Jefferies India Private Limited (CIN - U74140MH2007PTC200509), which is licensed by the Securities and Exchange Board of India as a Merchant Banker (INM000011443), Research Analyst (INH000000701) and a Stock Broker with Bombay Stock Exchange Limited (INB011491033) and National Stock Exchange of India Limited (INB231491037) in the Capital Market Segment; located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051, India; Tel +91 22 4356 6000.

This material has been prepared by Jefferies employing appropriate expertise, and in the belief that it is fair and not misleading. The information set forth herein was obtained from sources believed to be reliable, but has not been independently verified by Jefferies. Therefore, except for any obligation under applicable rules we do not guarantee its accuracy. Additional and supporting information is available upon request. Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this material is distributed in the United States ("US"), by Jefferies LLC, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic Area this report is issued and/or approved for distribution by Jefferies International Limited and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed. Jefferies International Limited has adopted a conflicts management policy in connection with the preparation and publication of research, the details of which are available upon request in writing to the Compliance Officer. Jefferies International Limited may allow its analysts to undertake private consultancy work. Jefferies International Limited's conflicts management policy sets out the arrangements Jefferies International Limited employs to manage any potential conflicts of interest that may arise as a result of such consultancy work. For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, this material is provided by Jefferies Singapore Limited pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Cap. 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact Jefferies Singapore Limited, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the PRC. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India this report is made available by Jefferies India Private Limited. In Australia this information is issued solely by Jefferies International Limited and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies International Limited is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. Jefferies International Limited has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services licence under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, its associates or affiliates, and its respective officers, directors, and employees may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. Upon request Jefferies may provide specialized research products or services to certain customers focusing on the prospects for individual covered stocks as compared to other covered stocks over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, the analyst has a reasonable basis and any inconsistencies can be reasonably explained. This material does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments. This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of securities. None of Jefferies, any of its affiliates or its research analysts has any authority whatsoever to make any representations or warranty on behalf of the issuer(s).

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Jefferies policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis. Any comments or statements made herein are those of the author(s) and may differ from the views of Jefferies.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Jefferies research reports are disseminated and available primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Jefferies. Neither Jefferies nor any officer nor employee of Jefferies accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

For Important Disclosure information, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 1.888.JEFFERIES

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

ARGUS

NYSE: NI

NISOURCE INC

NiSource Inc., based in Merrillville, Indiana, is the holding company for Northern Indiana Public Service Company (NIPSCO). It is engaged in natural gas transmission, storage and distribution, as well as electricity generation, transmission and distribution. The company's regulated service territory is the northern third of Indiana. NIPSCO is a regulated utility delivering electricity to 455,000 customers in Indiana. Through its operating natural gas companies, NiSource also delivers natural gas to over 3.8 million customers in the upper Midwest, New England, and the Mid-Atlantic states.

Analyst's Notes

Analysis by Michael Burke, June 29, 2015

ARGUS RATING: SELL

- Downgrading to SELL ahead of Columbia Pipeline spinoff
- Our downgrade reflects our view that the standalone post-spinoff NI will be worth approximately $21 per share - well below the $26 per share implied by our sum-of-the-parts valuation for the combined entities.
- After the separation, Columbia Pipeline will be a pure-play natural gas pipeline, midstream and storage company, while NiSource will be a more narrowly focused regulated natural gas and electric utility.
- We believe that NiSource will be the less desirable of the two entities after the spinoff due to its slower rate of growth.
- Our 2015 EPS estimate for NI remains $1.80, and reflects the company's plans to invest approximately $2.4 billion this year in capital projects. Our 2015 forecast is based on our pre-spinoff estimates. We are initiating a 2016 estimate for standalone NiSource of $1.08 per share.

INVESTMENT THESIS

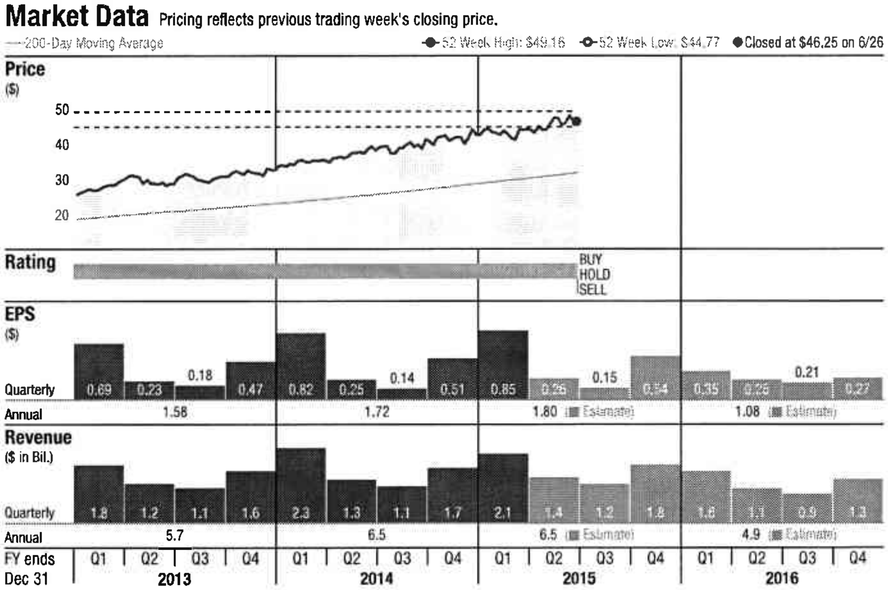
We are lowering our rating on NiSource Inc. (NYSE: NI) to SELL from HOLD ahead of the company's July 1 spinoff of the faster-growing Columbia Pipeline Group. Our downgrade reflects our view that the standalone post-spinoff NI will be worth approximately $21 per share, based on our blended analysis and the company's initial annualized dividend of $0.62. This analysis assumes that the stock yields about 3.5%, in line with similar utilities, and incorporates our dividend discount model. The $21 estimated value is well below the $26 NiSource share price implied by our $49 sum-of-the-parts valuation for the combined entities.

RECENT DEVELOPMENTS

On June 2, NiSource announced that its board had approved the tax-free separation of Columbia Pipeline Group (CPG) from NiSource. As part of the transaction, NiSource

Market Data

Pricing reflects previous trading week's closing price.



Argus Recommendations

Twelve Month Rating	**SELL**	HOLD	BUY
Five Year Rating	**SELL**	HOLD	BUY
Sector Rating	**Under Weight**	Market Weight	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 47% Buy, 47% Hold, 6% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	$45.95
Target Price	--
52 Week Price Range	$36.00 to $49.16
Shares Outstanding	317.38 Million
Dividend	$1.04

Sector Overview

Sector	Utility
Sector Rating	UNDER WEIGHT
Total % of S&P 500 Market Cap.	3.00%

Financial Strength

Financial Strength Rating	MEDIUM
Debt/Capital Ratio	61.8%
Return on Equity	8.8%
Net Margin	8.4%
Payout Ratio	0.62
Current Ratio	0.62
Revenue	$6.30 Billion
After-Tax Income	$532.20 Million

Valuation

Current FY P/E	42.55
Prior FY P/E	25.53
Price/Sales	2.31
Price/Book	2.23
Book Value/Share	$20.56
Market Capitalization	$14.58 Billion

Forecasted Growth

1 Year EPS Growth Forecast	4.65%
5 Year EPS Growth Forecast	4.00%
1 Year Dividend Growth Forecast	9.80%

Risk

Beta	0.98
Institutional Ownership	81.64%

Please see important information about this report on page 5

Analyst's Notes...Continued

shareholders of record as of June 19 will receive one share of the new CPG stock for every NI share held. The distribution of CPG stock will be made on July 1. CPG will begin trading as a standalone entity on the NYSE on July 2 under the ticker symbol CPGX.

The spinoff of the Columbia Pipeline Group will create two energy infrastructure companies with independent strategies and a sharper focus on their respective core businesses.

The faster-growing company will be Columbia Pipeline, which will be a pure-play natural gas pipeline, midstream and storage company. At separation, Columbia will operate more than 15,000 miles of natural gas transmission pipelines. It will also have nearly 300 billion cubic feet of underground natural gas storage capacity and a growing portfolio of midstream and related facilities. Columbia has significant assets in the Utica and Marcellus shale regions, and a predictable cash flow stream that is insensitive to changes in commodity prices. Columbia's project inventory is expected to deliver average annual EBITDA growth of 20% through 2020 from a $680 million base. The company will pay an initial annualized dividend of $0.50 per share, which it expects to grow 15% annually from 2016 to 2020.

The slower growing company, NiSource, will be a more narrowly focused regulated natural gas and electric utility, with more than 3.4 million customers in seven states. NiSource is expected grow its earnings and dividend by 4%-6% annually, with an initial annualized payout of $0.62 per share. NiSource management has outlined the company's plans for substantial rate base growth. It expects this growth to be driven by $30 billion in planned capital projects over the next 20-plus years, which equates to about $1.2 billion in annual spending. Of the $30 billion, $20 billion will be allocated to the natural gas utilities and $10 billion to the electric utility. Management expects 75% of this spending to be supported by increases in the rate base, resulting in a highly visible future earnings stream. We will continue coverage of the NiSource utility company following the transaction.

We project a post-separation share value for standalone NiSource of about $21 per share. Of the two companies, we believe that NiSource is the less desirable given its slower growth rate.

EARNINGS & GROWTH ANALYSIS

On April 30, NiSource posted 1Q15 earnings from continuing operations of $275.2 million or $0.87 per share, up from $258.4 million or $0.82 per share a year earlier. EPS beat the consensus estimate of $0.81 and our estimate of $0.86. Revenue rose 7.2% year-over-year to $1.32 billion, while the adjusted net margin rose to 12.9% from 11.3%.

First-quarter operating earnings by business segment are summarized below.

In the Columbia Pipeline Group (31% of total operating earnings), 1Q earnings rose to $163.0 million from $158.9 million in the prior-year period. The increase was driven by higher revenue as new projects were placed into service. The Columbia Pipeline

Growth & Valuation Analysis

GROWTH ANALYSIS

($ in Millions, except per share data)	2010	2011	2012	2013	2014
Revenue	6,415	5,975	5,031	5,657	6,471
COGS	2,974	2,546	1,517	1,816	2,224
Gross Profit	3,441	3,429	3,514	3,842	4,246
SG&A	—	—	—	—	—
R&D	—	—	—	—	—
Operating Income	906	876	1,040	1,143	1,262
Interest Expense	386	377	400	411	438
Pretax Income	421	452	624	753	841
Income Taxes	135	157	215	262	310
Tax Rate (%)	32	35	34	35	37
Net Income	283	299	416	532	530
Diluted Shares Outstanding	280	289	300	314	317
EPS	1.01	1.03	1.39	1.70	1.67
Dividend	0.92	0.92	0.94	0.98	1.02
GROWTH RATES (%)					
Revenue	-3.5	-6.9	-15.8	12.5	14.4
Operating Income	13.1	-3.3	18.8	9.9	10.4
Net Income	29.8	5.8	39.1	27.9	-0.4
EPS	21.4		33.3	15.4	6.4
Dividend			2.2	4.3	4.1
Sustainable Growth Rate	0.7	0.8	2.5	3.5	3.4
VALUATION ANALYSIS					
Price: High	$17.96	$23.97	$26.15	$33.48	$44.91
Price: Low	$14.13	$17.71	$22.32	$24.85	$32.11
Price/Sales: High-Low	0.8 - 0.6	1.2 - 0.9	1.6 - 1.3	1.9 - 1.4	2.2 - 1.6
P/E: High-Low	17.8 - 14.0	23.3 - 17.2	18.8 - 16.1	19.7 - 14.6	26.9 - 19.2
Price/Cash Flow: High-Low	6.9 - 5.5	7.9 - 5.9	6.2 - 5.3	7.3 - 5.4	10.8 - 7.7

Financial & Risk Analysis

FINANCIAL STRENGTH	2012	2013	2014
Cash ($ in Millions)	36	27	25
Working Capital ($ in Millions)	-952	-1,019	-1,488
Current Ratio	0.71	0.68	0.62
LT Debt/Equity Ratio (%)	122.8	129.0	132.1
Total Debt/Equity Ratio (%)	145.9	150.1	161.9
RATIOS (%)			
Gross Profit Margin	69.8	67.9	65.6
Operating Margin	20.7	20.2	19.5
Net Margin	8.3	9.4	8.2
Return On Assets	2.0	2.4	2.2
Return On Equity	7.9	9.3	8.8
RISK ANALYSIS			
Cash Cycle (days)	82.2	54.6	50.8
Cash Flow/Cap Ex	0.9	0.8	0.7
Oper. Income/Int. Exp. (ratio)	2.5	2.8	2.9
Payout Ratio	—	—	14.5

Please see important information about this report on page 5

Analyst's Notes...Continued

Group continues to make progress on its long-term infrastructure modernization program, which includes investment in aging pipeline and compressor facilities, enhancements to system-inspection capabilities, and improvements in real-time analytics and control systems. In 2015, segment capital spending is expected to be approximately $1.1 billion. The modernization program will continue through 2017, with average annual spending of $300 million, and may eventually be extended to 10 years or more. The segment also continues to expand its midstream and core growth initiatives, taking advantage of its strong asset position in the Utica and Marcellus shales.

NiSource Electric, also known as NIPSCO (Northern Indiana Public Service Co), generated 1Q15 operating earnings of $67.2 million (13% of total operating earnings), down from $74.2 million in 1Q14. The decrease was driven by higher employee and administrative costs and increased environmental expenses. The electric segment is expected to invest approximately $400 million in capital projects in 2015, with an emphasis on environmental, transmission, modernization and reliability investments.

NiSource Gas Distribution reported 1Q operating earnings of $305.8 million (58% of total operating earnings), up from $280.1 million in the prior-year period. The increase was primarily attributable to new rates at Columbia Gas of Pennsylvania and Columbia Gas of Massachusetts, as well as the implementation of new rates under Columbia Gas of Ohio's infrastructure replacement program. In 2015, management expects total capital spending in the Gas Distribution segment of $900 million. This spending will be focused on infrastructure upgrades.

Our 2015 EPS estimate remains $1.80, and reflects the company's plans to invest approximately $2.4 billion this year in capital projects. Our 2015 forecast is based on our pre-spinoff estimates. We are initiating a 2016 EPS estimate for standalone NiSource of $1.08 per share. We previously projected $1.90 per share for the combined pre-spinoff company.

Over the long term, NiSource has a clear roadmap for growth, and has identified $30 billion of potential investments over the next 20-plus years in its gas and electric utility operations. The regulated gas and electric segments will primarily invest in transmission and distribution modernization, and should benefit from enhanced regulatory recovery mechanisms. Management expects the gas and electric segments to post long-term non-GAAP operating earnings growth of 4%-6% annually, along with comparable dividend growth, resulting in total annual returns for shareholders of 7%-8%.

FINANCIAL STRENGTH & DIVIDEND

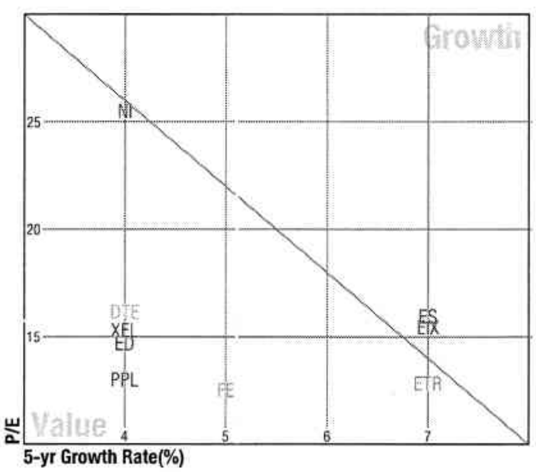
Our financial strength rating for NiSource is Medium, the midpoint on our five-point scale.

NiSource's debt/capital ratio was 53.9% at the end of 1Q15, down from 61.8% at the end of 2014. EBITDA covered interest expense by a factor of 6.2. At the end of 1Q15, NiSource had approximately $1.99 billion in available liquidity. S&P gives the

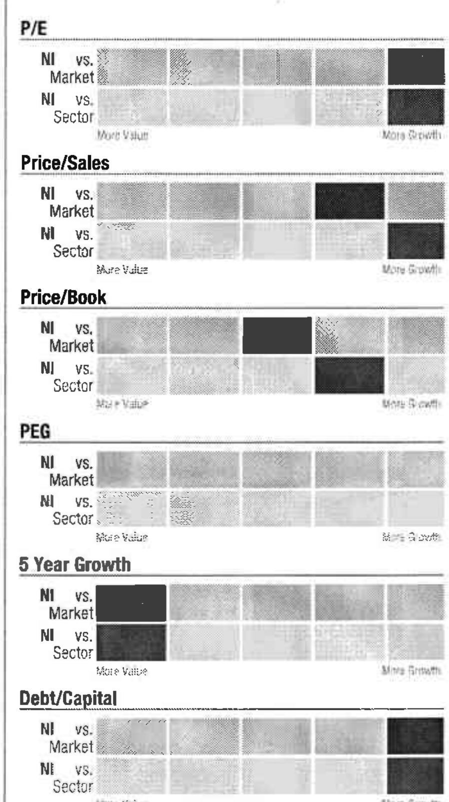
Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare NI versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- **The scatterplot shows how NI stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how NI might fit into or modify a diversified portfolio.**



Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
PPL	PPL Corp	19,676	4.0	13.0	15.3	2.7	BUY
EIX	Edison International	18,141	7.0	15.5	14.2	8.3	BUY
ED	Consolidated Edison Inc	17,025	4.0	14.7	8.6	1.3	BUY
XEL	Xcel Energy Inc	16,307	4.0	15.3	8.0	7.1	BUY
NI	Nisource Inc	14,584	4.0	25.5	8.4	-40.0	SELL
ES	Eversource Energy	14,453	7.0	16.0	10.5	8.8	BUY
FE	FirstEnergy Corp	13,762	5.0	12.5	2.1	1.9	HOLD
DTE	DTE Energy Co	13,385	4.0	16.2	7.5	5.0	HOLD
ETR	Entergy Corp	12,558	7.0	12.9	7.0	-2.6	HOLD
Peer Average		**15,543**	**5.1**	**15.7**	**9.1**	**-.8**	



Please see important information about this report on page 5

Analyst's Notes...Continued

company a BBB- rating. NiSource and Columbia Pipeline Group are expected to have investment-grade credit ratings.

As part of the spinoff of Columbia Pipeline Group, NiSource will receive a one-time payment of $2.75 billion from Columbia Pipeline Group following its debt recapitalization. NiSource expects to use the proceeds from Columbia Pipeline to reduce its net debt, which stood at $8.7 billion at the end of 1Q15. We view the decision to reduce debt as a positive as it should lower the firm's cost of capital and give it increased flexibility in managing its extensive project backlog.

Management has emphasized the importance of maintaining adequate liquidity and the company's credit rating. We believe that NiSource's business units and finance team have improved the balance sheet by selling noncore assets over the past three years, recalibrating capital expenditures, and carefully managing operating expenses and working capital.

NiSource pays a quarterly dividend of $0.26 per share, or $1.04 annually, for a yield of about 2.3%. On May 12, NI's board announced that NiSource and Columbia Pipeline Group would pay an initial combined quarterly dividend of $0.28 per share following the spinoff, up 7.7% from the current payout. The combined quarterly dividend will consist of a $0.155 per share payment from NiSource and $0.125 per share payment from Columbia. We are maintaining our 2015 dividend estimate for the combined companies of $1.08 per share. Based on the timing of the spinoff and modest dividend growth, our preliminary 2016 dividend estimate for standalone NiSource is $0.63 per share.

MANAGEMENT & RISKS

Management is committed to electric and gas service expansion strategies in the company's regulated service territories, and to the expansion of its gas transmission and storage business. We think the company's platform for a return to growth is solid, and we are confident in management's ability to provide shareholders with increased value over the long term.

Key risks for stocks in our electric utility universe include fluctuations in commodity prices, the effect of adverse weather on revenue, regulatory issues (especially involving construction cost recovery), and potential environmental and safety liabilities. In addition, the capital-intensive nature of the utility industry creates ongoing liquidity risk that must be actively managed by each company. Specific to NiSource, we would likely reduce our earnings estimates if economic conditions in the Midwest deteriorate or the company is unable to make further reductions in pension and benefit costs.

COMPANY DESCRIPTION

NiSource Inc., based in Merrillville, Indiana, is the holding company for Northern Indiana Public Service Company (NIPSCO). It is engaged in natural gas transmission, storage and distribution, as well as electricity generation, transmission and distribution. The company's regulated service territory is the northern third of Indiana. NIPSCO is a regulated utility delivering electricity to 455,000 customers in Indiana. Through its operating natural gas companies, NiSource also delivers natural gas to over 3.8 million customers in the upper Midwest, New England, and the Mid-Atlantic states.

INDUSTRY

Our rating on the Utility sector is Under-Weight. The sector has underperformed the S&P 500 thus far in 2015, with a loss of 7.7%. It rose a strong 24.3% in 2014, as investors turned to defensive, higher-yielding stocks.

The sector accounts for 3.0% of the S&P 500. Over the past five years, the weighting has ranged from 2.0% to 4.6%. We think the sector should account for at most 2%-3% of diversified portfolios. The sector includes the electric, gas and water utility industries.

By our calculations (using 2016 EPS), the sector price/earnings multiple is 15.6, below the market average of 15.9. Earnings are expected to rise 4.6% in 2016 and 4.2% in 2015 following growth of 8.8% in 2014. The sector's debt-to-cap ratio is about 55%, above the market average. This represents a risk, given the current state of the credit markets, particularly if corporate bond rates continue to rise. The sector does offer an attractive dividend yield of about 3.7%.

VALUATION

Over the last 52 weeks, NI shares have traded in a range of $36-$49. They are currently near the high end of this range.

NI trades at 25.7-times our 2015 EPS estimate, toward the high end of the range for comparable electric and gas utilities with nonregulated natural gas transmission and storage operations. The stock is also trading at a premium to peers based on price/sales, EV/EBITDA, price/book and price/cash flow. The dividend yield of 2.3% is below the peer average of 3.7%.

Of the two companies, we believe that NiSource is less desirable than Columbia Pipeline given its slower growth rate. We see a fair value for the standalone post-spinoff NI of approximately $21 per share based on our blended valuation analysis and the company's initial annualized dividend of $0.62. This analysis assumes that the stock yields about 3.5%, in line with similar utilities, and incorporates our dividend discount model. This $21 estimated value is well below the $26 NiSource share price implied by our $49 sum-of-the-parts valuation for the combined entities.

On June 29, SELL-rated NI closed at $45.95, down $0.30.

Please see important information about this report on page 5

About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

Argus Research Disclaimer

Morningstar Disclaimer

BARCLAYS

Equity Research

Power & Utilities | North America Power & Utilities

6 July 2015

NiSource, Inc.

High Quality Utility with Robust Investment Backlog

We are reinstating our rating on NiSource Inc. following separation from its midstream operations under Columbia Pipeline Group: We rate shares Equal Weight with a $17 price target. NI has a robust $30B investment backlog of gas and electric infrastructure spending to provide 8% rate base growth through the next several years, timely rate recovery mechanisms across its service territories, and quality management. Our $17 price target is a 6% premium to the utility average 14.2x P/E applied to our $1.14 2017 EPS estimate. We regard NI as a premium utility, but rate shares as Equal Weight given limited upside to our price target from current share levels.

Balance sheet remains an important consideration: NI plans to issue equity sometime during its planning horizon; we believe the company has the flexibility to delay equity issuance for 2-3 years while maintaining an investment-grade credit profile. We model a post-separation consolidated debt-to-capital ratio of 65%, ~$450M of annual debt funding and $50M of annual equity from the DRIP. We expect the equity need to come in 2018, concurrent to when NI could become a cash taxpayer barring an extension of bonus depreciation rules.

Substantial investment backlog of from gas pipeline replacement: The company has an estimated $30B investment backlog versus the current capex run rate of ~$1.4B annually. Around $20B is aging gas pipeline replacement which has low execution risk and benefits from tracker programs in all 7 states where NI has gas utility operations.

Re-filing of NIPSCO 7-year TDSIC plan is not a reason for a major concern: We are constructive on NIPSCO's ability to successfully re-file its 7-year electric infrastructure modernization plan later this year. While the Indiana Appellate Court ruled that the Commission erred in approving the program, we think it also limits the grounds on which the program can be challenged in the future to relatively minor items and actually strengthens the prospects for a successful re-filing.

NI: Quarterly and Annual EPS (USD)

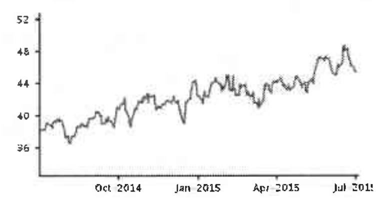
	2014	2015			2016			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2015	2016
Q1	0.82A	N/A	N/A	0.85A	N/A	N/A	0.68E	N/A	N/A
Q2	0.25A	N/A	N/A	0.25E	N/A	N/A	0.12E	N/A	N/A
Q3	N/A	N/A	N/A	0.07E	N/A	N/A	0.06E	N/A	N/A
Q4	N/A	N/A	N/A	0.42E	N/A	N/A	0.43E	N/A	N/A
Year	1.72A	1.84E	1.44E	1.53E	N/A	1.07E	1.21E	-16%	-26%
P/E	9.9		11.8			15.8			

Source: Barclays Research.
Consensus numbers are from Thomson Reuters

Stock Rating	EQUAL WEIGHT from Rating Suspended
Industry View	NEUTRAL Unchanged
Price Target	USD 17.00 from N/A
Price (02-Jul-2015)	USD 16.99
Potential Upside/Downside	+0%
Tickers	NI
Market Cap (USD mn)	199513
Shares Outstanding (mn)	317.38
Free Float (%)	99.51
52 Wk Avg Daily Volume (mn)	2.1
52 Wk Avg Daily Value (USD mn)	N/A
Dividend Yield (%)	2.3
Return on Equity TTM (%)	8.50
Current BVPS (USD)	19.54

Source: Thomson Reuters

Price Performance	Exchange-NYSE
52 Week range	USD 19.32-14.15



Link to Barclays Live for interactive charting

North America Power & Utilities
Daniel Ford, CFA
1.212.526.0836
daniel.x.ford@barclays.com
BCI, US

William Zhang
1.212.526.6203
william.zhang@barclays.com
BCI, US

North America Power & Utilities | **Industry View: NEUTRAL**

NiSource, Inc. (NI)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2014A	2015E	2016E	2017E	CAGR
Revenue	6,471	4,100	4,195	4,291	-12.8%
EBITDA (adj)	1,868	1,600	1,441	1,523	-6.6%
EBIT (adj)	1,262	1,095	947	1,010	-7.2%
Pre-tax income (adj)	841	706	532	569	-12.2%
Net income (adj)	531	459	346	370	-11.3%
EPS (adj) ($)	1.72	1.44	1.07	1.14	-12.9%
Diluted shares (mn)	316.6	319.5	322.5	326.0	1.0%
DPS ($)	1.04	0.83	0.65	0.69	-12.8%

Margin and return data					Average
EBITDA (adj) margin (%)	28.9	39.0	34.4	35.5	34.4
EBIT (adj) margin (%)	19.5	26.7	22.6	23.5	23.1
Pre-tax (adj) margin (%)	13.0	17.2	12.7	13.3	14.0
Net (adj) margin (%)	8.2	11.2	8.2	8.6	9.1
ROIC (%)	7.8	10.6	8.6	8.7	8.9
ROA (%)	2.1	1.8	1.3	1.3	1.6
ROE (%)	8.6	12.6	9.1	9.2	9.9

Balance sheet and cash flow ($mn)					CAGR
Net PP&E	16,017	16,815	17,710	18,658	5.2%
Total net assets	24,866	26,001	26,824	27,678	3.6%
Capital employed	16,175	10,332	10,968	11,623	-10.4%
Shareholders' equity	6,175	3,632	3,818	4,023	-13.3%
Net debt/(funds)	9,974	6,337	6,860	7,404	-9.5%
Cash flow from operations	1,321	1,212	1,026	1,082	-6.4%
Capital expenditure	-2,029	-1,303	-1,390	-1,460	N/A
Free cash flow	-840	-1,782	-852	-501	N/A
Pre-dividend FCF	-512	-1,439	-491	-501	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	9.9	11.8	15.8	15.0	13.1
EV/EBITDA (adj) (x)	8.2	7.3	8.5	8.4	8.1
EV/EBIT (adj) (x)	12.2	10.7	12.9	12.7	12.1
P/BV (x)	0.9	1.5	1.4	1.4	1.3
Dividend yield (%)	6.1	4.9	3.8	4.1	4.7
Total debt/capital (%)	61.8	64.8	65.2	65.4	64.3
Net debt/EBITDA (adj) (x)	5.3	4.0	4.8	4.9	4.7

Selected operating metrics					Average
Payout ratio (%)	60.5	57.8	60.6	60.8	59.9
Interest cover (x)	-2.8	-2.8	-2.3	-2.3	-2.6
Regulated (%)	N/A	N/A	N/A	N/A	N/A

Price (02-Jul-2015)	USD 16.99
Price Target	USD 17.00

Why Equal Weight? We view NI as a quality utility with a well-defined rate base growth strategy from gas and electric infrastructure modernization, which we see as relatively low-risk. Additionally, we don't see a need for equity issuance until 2018. However, we rate shares Equal Weight as there is limited upside to our price target.

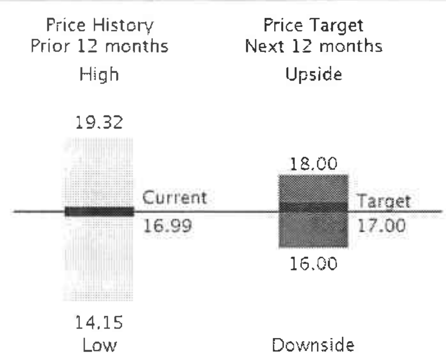
Upside case USD 18.00

Our $18 upside case assumes higher earnings from favorable regulatory outcomes, and assigns a 10% premium to the utility average 14.2x 2017 P/E multiple for the gas-heavy business mix and constructive regulation.

Downside case USD 16.00

Our $16 downside case assumes lower earnings from less favorable regulatory outcomes, and we assign an utility average 14.2x 2017 P/E multiple to our valuation.

Upside/Downside scenarios



Source: Company data, Barclays Research
Note: FY End Dec

Investment Summary

On July 1, NiSource completed the separation of its midstream operations under Columbia Pipeline Group (CPGX) and its regulated utility operations which remain at NiSource Inc. We believe the separation, along with the creation of CPGX and of limited partner Columbia Pipeline Partners (CPPL) earlier this year, allows shareholders of the predecessor company NI to more fully realize the value of both the midstream assets and the regulated utility business. Post-separation, NI becomes a high quality, pure-play regulated utility with a gas-heavy business mix. We view NI as a premium utility because of its 1) robust $30B in investment backlog which includes $20B of low-risk gas infrastructure investments, 2) constructive rate treatment with trackers for its gas pipe replacement projects and electric T&D modernization program, and 3) track record of meeting or exceeding expectations, which we expect to continue under a new management team which largely comes from senior leadership at NI's regulated subsidiaries pre-separation.

The post-separation company targets long-term 4-6% EPS growth driven by gas and electric infrastructure investment with 8% annual rate base growth. The company gave 2016 EPS guidance of $1.00-$1.10, and announced an initial annual dividend of $0.62 post-separation, which we expect to grow in line with earnings. Combined with Columbia Pipeline Group's expected $0.50 initial annual dividend, this represents a combined 8% increase over NI's pre-separation $1.04 annual dividend.

In May prior to the separation, NI conducted a recapitalization in which Columbia Pipeline Group issued $2.75B in long-term debt in order to fund a one-time cash distribution to NiSource. NiSource used the funds to reduce its own net debt prior to the separation, paying off a $1.1B term loan, issuing a tender offer for $750M in long-term debt, and ~$800M in current/short-term debt. This should result in NiSource emerging from the separation with a debt load of around $6.7B, which we estimate would be a 65% debt-to-capital ratio.

FIGURE 1
NiSource Electric and Gas Service Territories

Source: SNL

Equity issuance on the horizon, but likely not until at least mid-2018

The balance sheet and timing of potential equity issuance remains an important consideration given NI's above-average debt-to-capital ratio, which we estimate to be around 65% coming out of the separation. The company forecasts annual capex to run $1.4B although we suspect this is a conservative management estimate and will lean higher in reality given the company's robust investment backlog past track record of exceeding forecasted capex over the past few years. The dividend also represents a $200M annual use of cash.

From a funding standpoint, we model around $1.1B-$1.2B in annual CFFO over the next ~3 years. The company expects to raise $50M of equity annually from the DRIP, and $400M-$500M of debt. We don't expect this to change NI's debt to capital materially from its 61-62% level by 2018, which is when NI would begin to pay cash taxes assuming no further extension of bonus depreciation. At that point we think it's reasonable to assume the company would issue equity as it becomes a cash taxpayer. We do not foresee debt covenant requirements triggering an earlier equity issuance; the main requirement is the revolving credit facility which mandates NI remain under 70% debt-to-capital which the company is unlikely to approach in the forecasted period.

NIPSCO Electric 7-Year Infrastructure Modernization Program still on track

In 2013, Indiana passed legislation allowing electric and natural gas utilities to submit 7-year infrastructure improvement plans to the Indiana Utility Regulatory Commission (IURC). The IURC would then have 210 days to rule on the request. Following approval of a plan, the utility would be authorized to recover 80% of the costs through a semi-annual transmission, distribution, and storage system improvement charge (TDSIC). The remaining 20% of investment costs must be deferred until the utility's next rate case, which must be filed during the 7-year period. Additionally annual revenue increases through TDSIC are limited to 2% of total annual retail revenues.

NIPSCO was the first Indiana utility to file its 7-year electric modernization plan on July 19, 2013 (docket 44370). The plan calls for $1.07B in T&D modernization projects over the 7 year planning period, which would be back-end loaded and require an average annual revenue increase of 0.9%. Separately, NIPSCO also filed a 7-year gas modernization plan later in 2013 under the same legislation. The IURC approved the plan on February 17, 2014 and NIPSCO began construction under the plan, receiving approval for its first rate increase under the plan on November 25, 2014.

FIGURE 2

NIPSCO Electric 7-Year Infrastructure Modernization Plan as Originally Filed

($ in millions)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total Investment
Investment	$75.2	$66.5	$158.9	$114.5	$181.7	$238.1	$237.9	$1,072.8
Incremental rate increase	$0.2	$5.5	$9.9	$15.7	$16.4	$19.6	$26.7	
Total TDSIC revenue	$0.2	$5.7	$15.6	$31.3	$47.7	$67.3	$94.0	

Source: Indiana Utility Regulatory Commission

On March 10, 2014, the OUCC and industrial customers filed a petition for reconsideration with the IURC regarding approval of NIPSCO's 7-year plan. The Commission denied the petition, and plaintiffs took the case to the Indiana Court of Appeals.

On April 8, 2015, the Court of Appeals issued a decision with key components as follows:

- NIPSCO specifically identified proposed projects in Year 1 of the plan but failed to do so for Years 2-7 of the plan; and the Commission erred in establishing a "presumption of eligibility" for those projects
- The Commission was correct in allowing up to 2% annual revenue increases instead of the Industrial Group's claim that revenues can only increase a total of 2% over the entire 7-year plan
- The Commission was correct in allowing NIPSCO to recover returns on new replacement assets, while netting depreciation on older, fully-depreciated assets being replaced
- The Commission exceeded its statutory authority in making certain adjustments to rate allocation between customer classes. This would be revenue-neutral for NIPSCO but is a cost-competitiveness issue for the industrial customers

The biggest issue for NIPSCO was the level of project detail in years 2-7 of the 7-year plan, which would require re-filing. Importantly, the Court of Appeals did not reject any of the projects contained in the plan as non-qualifying for TDSIC rate treatment. We believe this would allow NIPSCO to re-file largely the same plan. Although the Court ruling and represents a setback in terms of timing, we think it should actually strengthen the prospects for a successful re-filing since the plan itself and rate recovery mechanism withstood the challenge intact.

On May 26, NIPSCO submitted a settlement it had reached with the OUCC, NIPSCO Industrial Group, and US Steel in which the company agreed to file a general rate case by year-end 2015 and re-file its 7-year infrastructure modernization plan shortly after, most likely also later this year. NIPSCO agreed to refund ~$1M in past revenues collected under its original TDSIC plan and defer revenue collection on investments made so far to the rate case. We don't expect major changes in the plan, and given the Commission's approval of the prior plan, we expect similar approval of a re-submitted plan, with possible modifications to rate allocation.

FIGURE 3
NIPSCO Electric Key Dates

Schedule	Date
Settling parties' testimony filed	June 12
Non-settling parties' testimony filed	June 26
Rebuttal testimony due	July 2
Evidentiary hearing	July 20
NIPSCO electric rate case filing	Before Year-End 2014
NIPSCO 7-year electric modernization plan re-filing	Before Year-End 2014

Source: Indiana Utility Regulatory Commission, Barclays Research

Business Overview

NiSource has retail gas utilities in Indiana, Ohio, Pennsylvania, Maryland, Virginia, Kentucky, and Massachusetts and an electric utility in Indiana. We list the operating subsidiaries in Figure 4 below along with rate base, authorized returns, and annual capex. With HB 4164 legislation passed in 2014 in Massachusetts, we now expect all the subsidiaries to earn close to allowed returns over the next few years.

FIGURE 4
NiSource Gas and Electric Utilities

	State	Service	Rate Base	Equity Ratio	Allowed ROE	Annual Growth Capex
Northern Indiana Public Service Company	IN	Electric	$3,000M	46.53%	10.20%	$175-$500M
Columbia Gas of Ohio	OH	Gas	$1,700M	Settled	10.39%	$177-$195M
Columbia Gas of Pennsylvania	PA	Gas	$1,100M	Settled	Settled	$143-$168M
Northern Indiana Public Service Company	IN	Gas	$800M	46.29%	Settled	$80-$120M
Columbia Gas of Massachusetts	MA	Gas	$600M	53.68%	9.55%	$44-$70M
Columbia Gas of Virginia	VA	Gas	$530M	42.70%	10.10%	$20-$30M
Columbia Gas of Kentucky	KY	Gas	$235M	Settled	Settled	$12-$14M
Columbia Gas of Maryland	MD	Gas	$60M	53.84%	9.60%	$6-$14M

Source: Company filings, SNL, Barclays Research

Natural gas utilities comprise 63% of NI's total rate base. NI's gas-heavy business mix gives the company the benefit of 1) a substantial investment backlog of gas pipe replacement and 2) constructive regulatory treatment for gas system modernization. Gas infrastructure modernization projects tend to receive better rate treatment than electric investments within the same jurisdiction given the safety implications of replacing aging natural gas pipes, low-complexity nature of the investments, and substantial quantities of aging pipe needing replacement in many parts of the country.

The company expects to invest $1.1B in growth projects and another $300M in maintenance capital annually. Given the substantial backlog of gas pipeline replacements and tracked mechanisms, we expect actual capex to tend to the high end of the company's provided forecasts; with the main limitation being keeping customer rate inflation within reasonable bounds. Along the same line, we expect variance within NiSource's 4-6% earnings growth to be primarily driven by regulatory outcomes, rather than by the rate of investment which we expect to be robust.

Indiana

NIPSCO is an electric and gas utility in Indiana, with $3B in electric rate base and $800M in gas rate base. In 2013, the state passed Senate Bill 560, which allowed electric and gas utilities to file 7-year infrastructure modernization plans for tracked recovery. On the gas side, the IURC approved NIPSCO's gas plan on April 30, 2014, and the gas utility's first revenue increase under the plan was approved January 30, 2015.

On the electric side, the IURC had also approved NIPSCO's plan but the Indiana Office of Consumer Counselor (OUCC) and a group of industrial customers appealed the approval in court. NIPSCO reached a settlement with these groups in May, and it now expects to re-file a largely similar plan later this year, along with a general rate case. The electric utility's spending profile under the plan is back-end loaded. Over the last few years the utility invested $870M in MATS compliance and is in the final stages of that program, with construction of the last scrubber unit expected to be in service by the end of this year.

Ohio

Columbia Gas of Ohio is NiSource's largest gas LDC with $1.7B in rate base. Ohio has an annual Infrastructure Replacement Program tracker. The utility files in February for recovery of prior year investment, for new rates beginning in May. Ohio also allows a number of O&M trackers and deferral of non-tracked capex. Rate design is straight fixed/variable, with a fully fixed rate for residential gas customers.

Pennsylvania

Columbia Gas of Pennsylvania is NiSource's third largest gas LDC with $1.1B in rate base, and the second largest investment program. Pennsylvania's regulatory environment under the state's 2012 Act 11 legislation allows utilities to file rate cases using fully forecasted test years, supplemented by periodic Distribution Service Improvement Charges (DSIC) to track capital investments.

Columbia Gas of Pennsylvania filed a rate case (docket D-R-2015-2468056) on March 19. The filing requests a revenue increase of $46.2M based on a 10.95% ROE, 52.21% equity ratio, and $1,325M forecasted calendar year 2016 rate base.

FIGURE 5
Columbia Gas of Pennsylvania Rate Case Parameters

Columbia Gas of Pennsylvania	Company request	Previous Outcome
Revenue increase	$46.2M	$32.5M
Equity ratio	52.21%	Settled
Allowed ROE	10.95%	Settled
Rate base	$1,325.00M	Settled
Test year end	December 31, 2016	Settled
Order expected	December 2015	November 13, 2014

Source: SNL

Massachusetts

Regulatory treatment in Massachusetts greatly improved as a result of the passage of House Bill 4164 in June 2014. The law enables gas utilities to file an annual forward looking tracker for pipeline modernization investments. The Dept. of Public Utilities approved Columbia Gas' first filing in April. Additionally, the system is seeing customer growth from conversions from heating oil to natural gas.

Columbia Gas of Massachusetts filed a rate case (docket 15-50) on April 16 to reflect updated rate base and true up O&M, particularly related to pipeline safety. An order is expected by late February 2016, with new rates in March.

FIGURE 6
Columbia Gas of Massachusetts Rate Case Parameters

Columbia Gas of Massachusetts	Company request	Previous Outcome
Revenue increase	$49.3M	$19.3M
Equity ratio	53.54%	53.68%
Allowed ROE	10.95%	9.55%
Rate base	$590.14M	$468.72M
Test year end	December 31, 2014	December 31, 2012
Order expected	February 2016	February 28, 2014

Source: SNL

Virginia/Kentucky/Maryland

Virginia, Kentucky, and Maryland all allow for annual pipeline modernization and safety investment tracker filings. In Virginia, investment on system expansion is tracked or deferred. Both Virginia and Kentucky also allow rate case filings with a forward test year.

Columbia Gas of Virginia filed a settlement in its rate case (docket C-PUE-2014-00020) for approval by the Commission. The stipulated revenue requirement if $25.2M was found to be reasonable with a pending issue on rate design.

FIGURE 7
Columbia Gas of Virginia Rate Case Parameters

Columbia Gas of Virginia	Company request	Settlement	Previous Outcome
Revenue increase	$31.8M	$25.2M	$32.5M
Equity ratio	43.31%	42.01%	42.70%
Allowed ROE	10.90%	9.75%	10.10%
Rate base	$428.64M	$1,325.00M	Settled
Test year end	December 31, 2013	December 31, 2013	December 31, 2009
Order expected		June 30, 2015	December 17, 2010

Source: SNL

Senior Management Team

Joe Hamrock

President and CEO

Joe Hamrock is President and CEO of NiSource. He was previously Executive Vice President and Group CEO of NiSource's Gas Distribution unit prior to the separation, which comprises the gas LDC operations in Ohio, Pennsylvania, Virginia, Massachusetts, Kentucky, and Maryland. Prior to joining NiSource in 2012, he held a variety of senior leadership positions at American Electric Power (AEP), most recently as president and chief operating officer of AEP Ohio.

Don Brown

EVP and CFO

Don Brown is Executive Vice President and Chief Financial Officer of NiSource. Prior to joining the company in April, Don served as VP and CFO at UGI Utilities, a subsidiary of UGI Corporation. Before joining UGI in 2005, Don held a number of leadership and consulting roles at Constellation Energy, Progress Energy, and Deloitte.

Jim Stanley

EVP and COO

Jim Stanley is Executive Vice President and Chief Operating Officer of NiSource. Prior to NiSource's corporate separation he was EVP and Group CEO of NIPSCO, overseeing all regulatory matters and operations of the electric and gas utility in Indiana. Jim joined NiSource in 2012, after serving in a variety of senior leadership roles at Duke Energy, including SVP and chief distribution officer for Duke's U.S. electric operations, and president of Duke Energy Indiana.

Violet Sistovaris

EVP NIPSCO

Violet Sistovaris is Executive Vice President for NIPSCO. Before the corporate separation, Violet was SVP and chief information officer at NiSource, where she held responsibilities including supply chain services, information technology, and real estate management.

ANALYST(S) CERTIFICATION(S):

I, Daniel Ford, CFA, hereby certify (1) that the views expressed in this research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

IMPORTANT DISCLOSURES

Barclays Research is a part of the Investment Bank of Barclays Bank PLC and its affiliates (collectively and each individually, "Barclays"). For current important disclosures regarding companies that are the subject of this research report, please send a written request to: Barclays Research Compliance, 745 Seventh Avenue, 14th Floor, New York, NY 10019 or refer to http://publicresearch.barclays.com or call 212-526-1072.

The analysts responsible for preparing this research report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by investment banking activities.

Analysts regularly conduct site visits to view the material operations of covered companies, but Barclays policy prohibits them from accepting payment or reimbursement by any covered company of their travel expenses for such visits.

In order to access Barclays Statement regarding Research Dissemination Policies and Procedures, please refer to https://live.barcap.com/publiccp/RSR/nyfipubs/disclaimer/disclaimer-research-dissemination.html. In order to access Barclays Research Conflict Management Policy Statement, please refer to: https://live.barcap.com/publiccp/RSR/nyfipubs/disclaimer/disclaimer-conflict-management.html.

The Investment Bank's Research Department produces various types of research including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research, whether as a result of differing time horizons, methodologies, or otherwise.

Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 02-Jul-2015, USD 16.99), Equal Weight/Neutral, A/C/D/E/J/K/L/M/O

Disclosure Legend:

A: Barclays Bank PLC and/or an affiliate has been lead manager or co-lead manager of a publicly disclosed offer of securities of the issuer in the previous 12 months.

B: An employee of Barclays Bank PLC and/or an affiliate is a director of this issuer.

C: Barclays Bank PLC and/or an affiliate is a market-maker and/or liquidity provider in equity securities issued by this issuer or one of its affiliates.

D: Barclays Bank PLC and/or an affiliate has received compensation for investment banking services from this issuer in the past 12 months.

E: Barclays Bank PLC and/or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer within the next 3 months.

F: Barclays Bank PLC and/or an affiliate beneficially owned 1% or more of a class of equity securities of the issuer as of the end of the month prior to the research report's issuance.

G: One of the analysts on the coverage team (or a member of his or her household) owns shares of the common stock of this issuer.

H: This issuer beneficially owns 5% or more of any class of common equity securities of Barclays Bank PLC.

I: Barclays Bank PLC and/or an affiliate has a significant financial interest in the securities of this issuer.

J: Barclays Bank PLC and/or an affiliate trades regularly in the securities of this issuer.

K: Barclays Bank PLC and/or an affiliate has received non-investment banking related compensation (including compensation for brokerage services, if applicable) from this issuer within the past 12 months.

L: This issuer is, or during the past 12 months has been, an investment banking client of Barclays Bank PLC and/or an affiliate.

M: This issuer is, or during the past 12 months has been, a non-investment banking client (securities related services) of Barclays Bank PLC and/or an affiliate.

N: This issuer is, or during the past 12 months has been, a non-investment banking client (non-securities related services) of Barclays Bank PLC and/or an affiliate.

O: Barclays Capital Inc., through Barclays Market Makers, is a Designated Market Maker in this issuer's stock, which is listed on the New York Stock Exchange. At any given time, its associated Designated Market Maker may have "long" or "short" inventory position in the stock; and its associated Designated Market Maker may be on the opposite side of orders executed on the floor of the New York Stock Exchange in the stock.

P: A partner, director or officer of Barclays Capital Canada Inc. has, during the preceding 12 months, provided services to the subject company for remuneration, other than normal course investment advisory or trade execution services.

Q: Barclays Bank PLC and/or an affiliate is a Corporate Broker to this issuer.

R: Barclays Capital Canada Inc. and/or an affiliate has received compensation for investment banking services from this issuer in the past 12 months.

S: Barclays Capital Canada Inc. is a market-maker in an equity or equity related security issued by this issuer.

T: Barclays Bank PLC and/or an affiliate is providing equity advisory services to this issuer.

U: The equity securities of this Canadian issuer include subordinate voting restricted shares.

IMPORTANT DISCLOSURES CONTINUED

V: The equity securities of this Canadian issuer include non-voting restricted shares.

Risk Disclosure(s)

Master limited partnerships (MLPs) are pass-through entities structured as publicly listed partnerships. For tax purposes, distributions to MLP unit holders may be treated as a return of principal. Investors should consult their own tax advisors before investing in MLP units.

Guide to the Barclays Fundamental Equity Research Rating System:

Our coverage analysts use a relative rating system in which they rate stocks as Overweight, Equal Weight or Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry (the "industry coverage universe").

In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Underweight - The stock is expected to underperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Rating Suspended - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Investment Bank of Barclays Bank PLC is acting in an advisory capacity in a merger or strategic transaction involving the company.

Industry View

Positive - industry coverage universe fundamentals/valuations are improving.

Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "industry coverage universe":

North America Power & Utilities

AES Corp. (AES)	Alliant Energy (LNT)	Ameren Corp. (AEE)
American Electric Power (AEP)	American Water Works (AWK)	Aqua America (WTR)
Brookfield Infrastructure Partners LP (BIP)	Brookfield Infrastructure Partners LP (BIP_u.TO)	Brookfield Renewable Energy Partners LP (BEP_u.TO)
Brookfield Renewable Energy Partners LP (BEP)	Calpine Corp. (CPN)	Canadian Utilities Ltd. (CU.TO)
CenterPoint Energy Inc. (CNP)	CMS Energy (CMS)	Consolidated Edison (ED)
Covanta Holding Corp. (CVA)	Dominion Resources (D)	DTE Energy (DTE)
Duke Energy (DUK)	Dynegy Inc. (DYN)	Edison International (EIX)
Emera Inc. (EMA.TO)	Entergy Corp. (ETR)	Eversource Energy (ES)
Exelon Corp. (EXC)	FirstEnergy Corp. (FE)	Fortis Inc. (FTS.TO)
Great Plains Energy Inc. (GXP)	Hawaiian Electric Inds (HE)	Integrys Energy Group Inc. (TEG)
ITC Holdings (ITC)	National Grid Plc (NGG)	National Grid Plc (NG.L)
NextEra Energy (NEE)	NextEra Energy Partners, LP. (NEP)	NiSource, Inc. (NI)
NRG Energy (NRG)	NRG Yield Inc. (NYLD)	OGE Energy Corp. (OGE)
Ormat Technologies (ORA)	Pepco Holdings (POM)	PG&E Corp. (PCG)
Pinnacle West Capital (PNW)	PNM Resources (PNM)	Portland General Electric Co. (POR)
PPL Corporation (PPL)	Public Service Enterprise Gp (PEG)	SCANA Corp. (SCG)
Sempra Energy (SRE)	Southern Co. (SO)	Talen Energy Corp. (TLN)
TECO Energy (TE)	TerraForm Power, Inc. (TERP)	Vivint Solar Inc. (VSLR)
WEC Energy Group (WEC)	Westar Energy (WR)	Xcel Energy (XEL)

Distribution of Ratings:

Barclays Equity Research has 2699 companies under coverage.

43% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 52% of

IMPORTANT DISCLOSURES CONTINUED

companies with this rating are investment banking clients of the Firm.

41% have been assigned an Equal Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 45% of companies with this rating are investment banking clients of the Firm.

15% have been assigned an Underweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Sell rating; 40% of companies with this rating are investment banking clients of the Firm.

Guide to the Barclays Research Price Target:

Each analyst has a single price target on the stocks that they cover. The price target represents that analyst's expectation of where the stock will trade in the next 12 months. Upside/downside scenarios, where provided, represent potential upside/potential downside to each analyst's price target over the same 12-month period.

Top Picks:

Barclays Equity Research's "Top Picks" represent the single best alpha-generating investment idea within each industry (as defined by the relevant "industry coverage universe"), taken from among the Overweight-rated stocks within that industry. Barclays Equity Research publishes global and regional "Top Picks" reports every quarter and analysts may also publish intra-quarter changes to their Top Picks, as necessary. While analysts may highlight other Overweight-rated stocks in their published research in addition to their Top Pick, there can only be one "Top Pick" for each industry. To view the current list of Top Picks, go to the **Top Picks** page on Barclays Live (https://live.barcap.com/go/keyword/TopPicksGlobal).

To see a list of companies that comprise a particular industry coverage universe, please go to http://publicresearch.barclays.com.

Barclays legal entities involved in publishing research:

Barclays Bank PLC (Barclays, UK)

Barclays Capital Inc. (BCI, US)

Barclays Securities Japan Limited (BSJL, Japan)

Barclays Bank PLC, Tokyo branch (Barclays Bank, Japan)

Barclays Bank PLC, Hong Kong branch (Barclays Bank, Hong Kong)

Barclays Capital Canada Inc. (BCCI, Canada)

Absa Bank Limited (Absa, South Africa)

Barclays Bank Mexico, S.A. (BBMX, Mexico)

Barclays Capital Securities Taiwan Limited (BCSTW, Taiwan)

Barclays Capital Securities Limited (BCSL, South Korea)

Barclays Securities (India) Private Limited (BSIPL, India)

Barclays Bank PLC, India branch (Barclays Bank, India)

Barclays Bank PLC, Singapore branch (Barclays Bank, Singapore)

Barclays Bank PLC, Australia branch (Barclays Bank, Australia)

IMPORTANT DISCLOSURES CONTINUED

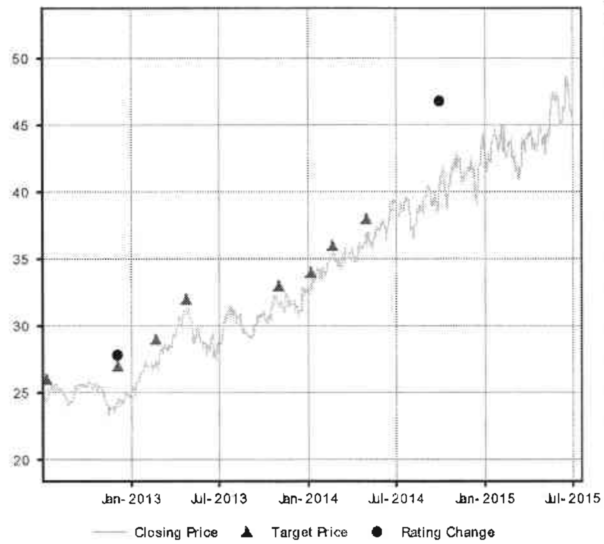
NiSource, Inc. (NI / NI)

USD 16.99 (02-Jul-2015)

Stock Rating: **EQUAL WEIGHT**

Industry View: **NEUTRAL**

Rating and Price Target Chart - USD (as of 02-Jul-2015)



Source: IDC, Barclays Research

Link to Barclays Live for interactive charting

Currency=USD

Date	Closing Price	Rating	Adjusted Price Target
29-Sep-2014	16.05	Rating Suspended	
30-Apr-2014	14.27		14.93
19-Feb-2014	13.91		14.15
06-Jan-2014	12.95		13.36
31-Oct-2013	12.39		12.97
24-Apr-2013	12.24		12.57
20-Feb-2013	10.63		11.40
03-Dec-2012	9.56	Overweight	10.61
09-Jul-2012	9.59		10.22

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

A: Barclays Bank PLC and/or an affiliate has been lead manager or co-lead manager of a publicly disclosed offer of securities of NiSource, Inc. in the previous 12 months.

C: Barclays Bank PLC and/or an affiliate is a market-maker and/or liquidity provider in equity securities issued by NiSource, Inc. or one of its affiliates.

D: Barclays Bank PLC and/or an affiliate has received compensation for investment banking services from NiSource, Inc. in the past 12 months.

E: Barclays Bank PLC and/or an affiliate expects to receive or intends to seek compensation for investment banking services from NiSource, Inc. within the next 3 months.

J: Barclays Bank PLC and/or an affiliate trades regularly in the securities of NiSource, Inc..

K: Barclays Bank PLC and/or an affiliate has received non-investment banking related compensation (including compensation for brokerage services, if applicable) from NiSource, Inc. within the past 12 months.

L: NiSource, Inc. is, or during the past 12 months has been, an investment banking client of Barclays Bank PLC and/or an affiliate.

M: NiSource, Inc. is, or during the past 12 months has been, a non-investment banking client (securities related services) of Barclays Bank PLC and/or an affiliate.

O: Barclays Capital Inc., through Barclays Market Makers, is a Designated Market Maker in NiSource, Inc. stock, which is listed on the New York Stock Exchange. At any given time, its associated Designated Market Maker may have "long" or "short" inventory position in the stock; and its associated Designated Market Maker may be on the opposite side of orders executed on the floor of the New York Stock Exchange in the stock.

Valuation Methodology: Our $17 price target is a 6% premium on the regulated group average 14.2x P/E multiple applied to our 2017 EPS estimate of $1.14.

Risks which May Impede the Achievement of the Barclays Research Price Target: Risks include adverse regulatory outcomes, lower sales growth, higher cost of capital, and earlier than expected equity needs.

DISCLAIMER:

This publication has been produced by the Investment Bank of Barclays Bank PLC and/or one or more of its affiliates (collectively and each individually, "Barclays"). It has been distributed by one or more Barclays legal entities that are a part of the Investment Bank as provided below. It is provided to our clients for information purposes only, and Barclays makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this publication. Barclays will not treat unauthorized recipients of this report as its clients. Prices shown are indicative and Barclays is not offering to buy or sell or soliciting offers to buy or sell any financial instrument.

Without limiting any of the foregoing and to the extent permitted by law, in no event shall Barclays, nor any affiliate, nor any of their respective officers, directors, partners, or employees have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this publication or its contents.

Other than disclosures relating to Barclays, the information contained in this publication has been obtained from sources that Barclays Research believes to be reliable, but Barclays does not represent or warrant that it is accurate or complete. Barclays is not responsible for, and makes no warranties whatsoever as to, the content of any third-party web site accessed via a hyperlink in this publication and such information is not incorporated by reference.

The views in this publication are those of the author(s) and are subject to change, and Barclays has no obligation to update its opinions or the information in this publication. The analyst recommendations in this publication reflect solely and exclusively those of the author(s), and such opinions were prepared independently of any other interests, including those of Barclays and/or its affiliates. This publication does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the clients who receive it. The securities discussed herein may not be suitable for all investors. Barclays recommends that investors independently evaluate each issuer, security or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

This material has been issued and approved for distribution in the UK and European Economic Area by Barclays Bank PLC. It is being made available primarily to persons who are investment professionals as that term is defined in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. It is directed at, and therefore should only be relied upon by, persons who have professional experience in matters relating to investments. The investments to which it relates are available only to such persons and will be entered into only with such persons. Barclays Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange.

The Investment Bank of Barclays Bank PLC undertakes U.S. securities business in the name of its wholly owned subsidiary Barclays Capital Inc., a FINRA and SIPC member. Barclays Capital Inc., a U.S. registered broker/dealer, is distributing this material in the United States and, in connection therewith accepts responsibility for its contents. Any U.S. person wishing to effect a transaction in any security discussed herein should do so only by contacting a representative of Barclays Capital Inc. in the U.S. at 745 Seventh Avenue, New York, New York 10019.

Non-U.S. persons should contact and execute transactions through a Barclays Bank PLC branch or affiliate in their home jurisdiction unless local regulations permit otherwise.

Barclays Bank PLC, Paris Branch (registered in France under Paris RCS number 381 066 281) is regulated by the Autorité des marchés financiers and the Autorité de contrôle prudentiel. Registered office 34/36 Avenue de Friedland 75008 Paris.

This material is distributed in Canada by Barclays Capital Canada Inc., a registered investment dealer, a Dealer Member of IIROC (www.iiroc.ca), and a Member of the Canadian Investor Protection Fund (CIPF).

Subject to the conditions of this publication as set out above, the Corporate & Investment Banking Division of Absa Bank Limited, an authorised financial services provider (Registration No.: 1986/004794/06. Registered Credit Provider Reg No NCRCP7), is distributing this material in South Africa. Absa Bank Limited is regulated by the South African Reserve Bank. This publication is not, nor is it intended to be, advice as defined and/or contemplated in the (South African) Financial Advisory and Intermediary Services Act, 37 of 2002, or any other financial, investment, trading, tax, legal, accounting, retirement, actuarial or other professional advice or service whatsoever. Any South African person or entity wishing to effect a transaction in any security discussed herein should do so only by contacting a representative of the Corporate & Investment Banking Division of Absa Bank Limited in South Africa, 15 Alice Lane, Sandton, Johannesburg, Gauteng 2196. Absa Bank Limited is a member of the Barclays group.

In Japan, foreign exchange research reports are prepared and distributed by Barclays Bank PLC Tokyo Branch. Other research reports are distributed to institutional investors in Japan by Barclays Securities Japan Limited. Barclays Securities Japan Limited is a joint-stock company incorporated in Japan with registered office of 6-10-1 Roppongi, Minato-ku, Tokyo 106-6131, Japan. It is a subsidiary of Barclays Bank PLC and a registered financial instruments firm regulated by the Financial Services Agency of Japan. Registered Number: Kanto Zaimukyokucho (kinsho) No. 143.

Barclays Bank PLC, Hong Kong Branch is distributing this material in Hong Kong as an authorised institution regulated by the Hong Kong Monetary Authority. Registered Office: 41/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Information on securities/instruments that trade in Taiwan or written by a Taiwan-based research analyst is distributed by Barclays Capital Securities Taiwan Limited to its clients. The material on securities/instruments not traded in Taiwan is not to be construed as 'recommendation' in Taiwan. Barclays Capital Securities Taiwan Limited does not accept orders from clients to trade in such securities. This material may not be distributed to the public media or used by the public media without prior written consent of Barclays.

This material is distributed in South Korea by Barclays Capital Securities Limited, Seoul Branch.

All Indian securities related research and other equity research are distributed in India by Barclays Securities (India) Private Limited (BSIPL). BSIPL is a company incorporated under the Companies Act, 1956 having CIN U67120MH2006PTC161063. BSIPL is registered and regulated by the Securities and Exchange Board of India (SEBI) as a Portfolio Manager INP000002585; Stock Broker/Trading and Clearing Member: National Stock Exchange of India Limited (NSE) Capital Market INB231292732, NSE Futures & Options INF231292732, NSE Currency derivatives INE231450334, Bombay Stock Exchange Limited (BSE) Capital Market INB011292738, BSE Futures & Options INF011292738; Merchant Banker: INM000011195; Depository Participant (DP) with the National Securities & Depositories Limited (NSDL): DP ID: IN-DP-NSDL-299-2008; Investment Adviser: INA000000391. The registered office of BSIPL is at 208, Ceejay House, Shivsagar Estate, Dr. A. Besant Road, Worli, Mumbai – 400 018, India. Telephone No: +91 22 67196000. Fax number: +91 22 67196100. Any other reports are distributed in India by Barclays Bank PLC, India Branch.

Barclays Bank PLC Frankfurt Branch distributes this material in Germany under the supervision of Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

This material is distributed in Malaysia by Barclays Capital Markets Malaysia Sdn Bhd.

This material is distributed in Brazil by Banco Barclays S.A.

This material is distributed in Mexico by Barclays Bank Mexico, S.A.

Barclays Bank PLC in the Dubai International Financial Centre (Registered No. 0060) is regulated by the Dubai Financial Services Authority (DFSA). Principal place of business in the Dubai International Financial Centre: The Gate Village, Building 4, Level 4, PO Box 506504, Dubai, United Arab Emirates. Barclays Bank PLC-DIFC Branch, may only undertake the financial services activities that fall within the scope of its existing DFSA licence. Related financial products or services are only available to Professional Clients, as defined by the Dubai Financial Services Authority.

Barclays Bank PLC in the UAE is regulated by the Central Bank of the UAE and is licensed to conduct business activities as a branch of a commercial bank incorporated outside the UAE in Dubai (Licence No.: 13/1844/2008, Registered Office: Building No. 6, Burj Dubai Business Hub, Sheikh Zayed Road, Dubai City) and Abu Dhabi (Licence No.: 13/952/2008, Registered Office: Al Jazira Towers, Hamdan Street, PO Box 2734, Abu Dhabi).

Barclays Bank PLC in the Qatar Financial Centre (Registered No. 00018) is authorised by the Qatar Financial Centre Regulatory Authority (QFCRA). Barclays Bank PLC-QFC Branch may only undertake the regulated activities that fall within the scope of its existing QFCRA licence. Principal place of business in Qatar: Qatar Financial Centre, Office 1002, 10th Floor, QFC Tower, Diplomatic Area, West Bay, PO Box 15891, Doha, Qatar. Related financial products or services are only available to Business Customers as defined by the Qatar Financial Centre Regulatory Authority.

This material is distributed in the UAE (including the Dubai International Financial Centre) and Qatar by Barclays Bank PLC.

This material is distributed in Russia by OOO Barclays Capital, affiliated company of Barclays Bank PLC, registered and regulated in Russia by the FSFM. Broker License #177-11850-100000; Dealer License #177-11855-010000. Registered address in Russia: 125047 Moscow, 1st Tverskaya-Yamskaya str. 21.

This material is distributed in Singapore by the Singapore branch of Barclays Bank PLC, a bank licensed in Singapore by the Monetary Authority of Singapore. For matters in connection with this report, recipients in Singapore may contact the Singapore branch of Barclays Bank PLC, whose registered address is One Raffles Quay Level 28, South Tower, Singapore 048583.

Barclays Bank PLC, Australia Branch (ARBN 062 449 585, AFSL 246617) is distributing this material in Australia. It is directed at 'wholesale clients' as defined by Australian Corporations Act 2001.

IRS Circular 230 Prepared Materials Disclaimer: Barclays does not provide tax advice and nothing contained herein should be construed to be tax advice. Please be advised that any discussion of U.S. tax matters contained herein (including any attachments) (i) is not intended or written to be used, and cannot be used, by you for the purpose of avoiding U.S. tax-related penalties; and (ii) was written to support the promotion or marketing of the transactions or other matters addressed herein. Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.

15 May 2015
Americas/United States
Equity Research
Master Limited Partnerships (MLPs (US))

CREDIT SUISSE

Nisource / Columbia Pipeline Group

Research Analysts
John Edwards, CFA
713 890 1594
john.edwards@credit-suisse.com
Abhiram Rajendran
212 538 9038
abhiram.rajendran@credit-suisse.com
Bhavesh Lodaya
212 325 2337
bhavesh.lodaya@credit-suisse.com
Dylan Nassano
212 325 8375
dylan.nassano@credit-suisse.com

COMPANY UPDATE

Separate but Not Equal; Parsing the Pieces and Raising NI's TP to $54

Bottom line – Raising NI's TP by $4, to $54, Pre-Spin: Post yesterday's conference calls we thought it would be helpful to break down our thoughts on valuation and growth outlooks for NI, CPPL, and CPGX given the information we have garnered this week regarding the spin-off. We are raising our target price for the combined NI/CPG stock to $54, from $50. We value NI's utilities business at ~$19/share on ~17x 2016E EPS and value CPGX at $35 post-spin based on the expected dividend outlook.

Incremental Positives from the Conference Call: (1) The $1.6B Mountaineer was placed into CPG's "in-execution" bucket as it has secured commercial agreements and is expected to receive board approval next month. (2) Management is guiding to 15% dividend growth through 2020 with coverage starting at ~2x. We estimate with the current inventory of commercially secured and board approved projects plus high probability projects in development at ~$10B by 2020 that there is a strong likelihood that dividends could actually accelerate beyond 2020 for several more years. The current valuation of NI does not appear to reflect the incrementally positive outlook for CPG.

Valuation Details

CPGX: We utilize two valuation methods for CPGX: (1) the sum of the discounted cash flow from each cash flow stream (i.e. its LP stake, its IDRs and its stake in OpCo) and (2) a 3-stage DDM on the expected dividend outlook for CPGX. We found that both methods give a target price of approximately $35 assuming 317mm CPGX shares in a 1:1 spin for each NI share.

NI Utilities: We utilized two approaches to valuing the utility: (1) EV/EBITDA on the electric utility and the LDC gas utilities and (2) applying a simple P/E multiple of 17x the $1.-$1.10 2016E EPS. The two approaches gives us an approximate value of $19/share for NI post spin. Thus, pre-spin we get a total value for NI of $54 adding CPGX to the utilities. Our $54 target price for NI indicates a total return potential of ~25%, supportive of our Outperform rating.

CPPL: Lastly, we are maintaining our $35 target price and Outperform Rating for Columbia Pipeline Partners (CPPL), which we derive from our 3-stage DDM (17.7%, 14.0%, 2%). Our $35 target price for CPPL indicates a 33% total return potential.

See inside for more details on our valuation methodologies.

CPG Spin-off Overview

What's in it for NiSource?: With $10Bn in growth opportunities over the next 10 years, Columbia Pipeline Group will require significant amounts capital and management focus. By spinning off CPG, NI will be able to better focus on its utility business and appeal to those investors that are seeking an investment in high quality low risk regulated utilities that operate in low risk regulatory jurisdictions and offer high visibility into a 4-6% EPS and DPS growth profile.

What's in it for Columbia Pipeline?: By separating from NiSource, CPGX and CPPL can offer investors that seek exposure to the midstream with assets levered to the high growth Marcellus/Utica plays and with annual dividend growth in the 15%+ range extended over many years given a healthy inventory of commercially secure and board approved projects that approach $10B and with $2B+ more in advanced stages of development.

Columbia Pipeline Overview: Columbia Pipeline Group's assets include ~15,000 miles of natural gas pipeline serving the Northeast and Gulf Coast. CPG is comprised of three separate entities: 1) OpCo, a holding company where the assets are housed 2) Columbia Pipeline Partners (CPPL), the publicly traded MLP who will serve as the primary equity vehicle for OpCo's growth financing and initially owns ~16% of OpCo. CPPL's OpCo ownership will increase proportionally as it issues equity to finance growth. 3) Columbia Pipeline Group (CPGX) who will serve as the general partner to CPPL, receiving incentive distribution rights (IDR's). CPGX also owns the ~84% of OpCo not owned by CPPL as well as ~48% of CPPL common units. CPGX will provide the debt capital needed to plug the portion of growth cap ex not funded by CPPL and operating income.

CPGX Valuation – SOTP and DDM Indicate ~$35

With essentially three separate streams of cash flows, valuation of CPGX has proven to be tricky. As the general partner it will receive GP IDR's from CPPL along with distributions from its LP ownership and EBITDA generated by its OpCo ownership. For illustration, we have used two methods to value CPGX: First we took a sum of the parts approach, adding the present values of the IDR's, LP distributions and OpCo cash flow. Next we ran CPGX's dividends through our standard Dividend/Distribution Discount Model (DDM). Both methods indicate a range of $34-$36 depending on assumptions such as discount and terminal growth rates.

CPGX Sum of the Parts: Valuing the IDR's and LP distributions is only possible after modeling out the entire group (our model is available upon request) and discounting them to a present value. In terms of the OpCo EBITDA, a common pitfall we have run into amongst investors (we were guilty of this as well in the early stages) is simply applying an EV/EBITDA multiple. This method proves misleading because CPGX's ownership of OpCo will dilute over time as CPPL issues equity and essentially purchases a larger stake. Again, the only way to value these cash flows is to model them out and discount them. Our analysis indicates that the IDR's are worth ~$19, the LP distributions ~$14 and CPGX's OpCo ownership ~$3.

As illustrated in Exhibit 1 and Exhibit 2 we discount ten years of IDR's received from CPPL utilizing a 9% discount rate and 2% terminal growth rate to arrive at a per share value of $19.00 for this piece of CPGX's cash flows.

Exhibit 1: Present Value of IDR's Received from CPPL

		Stage 1					Stage 2					Terminal
Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
IDR's from CPPL	0.0	1.4	9.5	37.8	76.2	125.2	351.2	441.0	521.1	587.3	653.4	666.5
			561.0%	296.4%	101.6%	64.2%	180.5%	25.6%	18.2%	12.7%	11.3%	2.0%
Cost of Equity			9%	9%	9%	9%	9%	9%	9%	9%	9%	
Cumulative Discount Factor			0.92	0.84	0.77	0.71	0.65	0.60	0.55	0.50	0.46	
Distributions discounted to Year 1			8.75	31.84	58.87	88.68	228.22	262.93	285.03	294.73	300.85	
Sum of PV to the firm		1559.9										
Terminal Value											9,521.14	
PV of terminal Value		4383.8										
Sum of PV to the firm + PV of terminal		5943.7										
Value Per Share		19.00										

Source: Company data, Credit Suisse estimates

Exhibit 2: Discount Rate/Terminal Growth Rate Sensitivity for IDR's

Terminal growth rate	Required Rate of Return (GP IDRs)						
	7.00%	**7.50%**	**8.00%**	**9.00%**	**10.00%**	**10.50%**	**11.00%**
0.5%	22.90	20.83	19.05	16.14	13.88	12.93	12.07
1.0%	24.44	22.10	20.11	16.90	14.44	13.42	12.50
1.5%	26.26	23.59	21.33	17.76	15.07	13.96	12.97
2.0%	28.44	25.34	22.76	**18.75**	15.78	14.56	13.49
2.5%	31.11	27.44	24.45	19.89	16.58	15.25	14.08
3.0%	34.44	30.01	26.47	21.21	17.49	16.02	14.74
3.5%	38.72	33.22	28.95	22.78	18.55	16.90	15.48

Source: Company data, Credit Suisse estimates

In Exhibit 3 and Exhibit 4 we discount the LP distributions received from CPGX's 46.5% ownership of CPPL LP units at 8% utilizing a 2% terminal growth rate. This piece gets us $14/share.

Exhibit 3: Present Value of LP Distributions Received

		Stage 1					Stage 2					Terminal
Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
LP Distributions	32.1	40.3	56.0	77.6	100.1	126.1	243.7	286.5	324.8	356.4	387.8	395.5
		25.6%	39.1%	38.5%	29.0%	25.9%	93.3%	17.6%	13.3%	9.7%	8.8%	2.0%
Cost of Equity			8%	8%	8%	8%	8%	8%	8%	8%	8%	
Cumulative Discount Factor			0.93	0.86	0.79	0.74	0.68	0.63	0.58	0.54	0.50	
Distributions discounted to Year 1			51.9	66.5	79.5	92.7	165.9	180.6	189.5	192.5	194.0	
Sum of PV to the firm		1213.0										
Terminal Value											6,592.21	
PV of terminal Value		3,297.7										
Sum of PV to the firm + PV of terminal		4,510.8										
Value Per Share		14.00										

Source: Company data, Credit Suisse estimates

Exhibit 4: Discount Rate/Terminal Growth Rate Sensitivity for LP Distributions

Terminal growth rate	Required Rate of Return (LP Distributions)						
	6.00%	**6.50%**	**7.00%**	**8.00%**	**9.00%**	**9.50%**	**10.00%**
0.5%	17.52	15.79	14.34	12.03	10.28	9.56	8.92
1.0%	18.91	16.91	15.25	12.66	10.73	9.95	9.25
1.5%	20.62	18.25	16.33	13.38	11.24	10.38	9.62
2.0%	22.75	19.90	17.62	**14.23**	11.83	10.87	10.04
2.5%	25.49	21.95	19.20	15.23	12.50	11.44	10.52
3.0%	29.15	24.59	21.18	16.43	13.29	12.09	11.06
3.5%	34.26	28.11	23.72	17.90	14.22	12.85	11.69

Source: Company data, Credit Suisse estimates

Lastly, in Exhibit 5 and Exhibit 6 we discount CPGX's cash flows from its OpCo ownership, assuming CPGX drops everything down to CPPL in year 5. We discount these cash flows (EBITDA less interest expense and taxes) at 8% given the stability of the asset base and use a 0% terminal growth rate to arrive at a value of $3.

Exhibit 5: Present Value of CPGX OpCo Ownership Cash flows

		Stage 1					Stage 2					Terminal
Year	0	1	2	3	4	5	6	7	8	9	10	11
OpCo Cashflow	326.4	306.3	329.7	328.4	184.4	146.4	0.0	0.0	0.0	0.0	0.0	0.0
		-6.1%	7.6%	-0.4%	-43.8%	-20.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of Equity			8%	8%	8%	8%	8%	8%	8%	8%	8%	
Cumulative Discount Factor			0.93	0.86	0.79	0.74	0.68	0.63	0.58	0.54	0.50	
Distributions discounted to Year 1			305.3	281.5	146.4	107.6	0.0	0.0	0.0	0.0	0.0	
Sum of PV to the firm		840.8										
Terminal Value											0.00	
PV of terminal Value		0.0										
Sum of PV to the firm + PV of terminal		840.8										
Value Per Share		3.00										

Source: Company data, Credit Suisse estimates

Exhibit 6: Discount Rate/Terminal Growth Rate Sensitivity for OpCo Cash flows

	Required Rate of Return (OpCo)						
Terminal growth rate	6.00%	6.50%	7.00%	8.00%	9.00%	9.50%	10.00%
-1.5%	2.76	2.73	2.70	2.65	2.60	2.58	2.55
-1.0%	2.76	2.73	2.70	2.65	2.60	2.58	2.55
-0.5%	2.76	2.73	2.70	2.65	2.60	2.58	2.55
0.0%	2.76	2.73	2.70	**2.65**	2.60	2.58	2.55
0.5%	2.76	2.73	2.70	2.65	2.60	2.58	2.55
1.0%	2.76	2.73	2.70	2.65	2.60	2.58	2.55
1.5%	2.76	2.73	2.70	2.65	2.60	2.58	2.55

Source: Company data, Credit Suisse estimates

CPGX Dividend Discount Model (DDM)

Exhibit 7 - Exhibit 9 illustrates our Dividend Discount Model, which we typically use to value MLP's under our coverage. Our 3-stage DDM indicates a $35 target price for CPGX and utilizes a 16.7% CAGR in the first five years (above the 15% guidance), 23% second five year CAGR and 2.25% terminal growth rate discounted at 8%. Note our second stage growth is driven by CPG's $10B backlog of projects, many of which come online in 2018 and would rapidly increase IDR's and distributions to CPGX from CPPL. Our $35 target price and $0.53 in distributions one year from the spin indicate a target yield of ~1.51%

Exhibit 7: CPGX Dividend Discount Model

		Stage 1					Stage 2					Terminal
Year	0	1	2	3	4	5	6	7	8	9	10	11
CPGX Dividends Declared	0.480	0.530	0.610	0.720	0.880	1.040	1.300	1.612	1.983	2.419	2.927	2.993
		10.4%	15.1%	18.0%	22.2%	18.2%	25.0%	24.0%	23.0%	22.0%	21.0%	2.3%
Cost of Equity			8%	8%	8%	8%	8%	8%	8%	8%	8%	
Cumulative Discount Factor			0.93	0.86	0.79	0.74	0.68	0.63	0.58	0.54	0.50	
Distributions discounted to Year 1			0.56	0.62	0.70	0.76	0.88	1.02	1.16	1.31	1.46	
Sum of PV to the firm		8.47										
Terminal Value											52.05	
PV of terminal Value		26.04										
Current price												
Target Price (1 year out)		35.00										

Source: Company data, Credit Suisse estimates

Exhibit 8: DDM Discount Rate/Terminal Growth Rate Sensitivity for CPGX

Terminal growth rate	Required Rate of Return (DDM): 6.00%	6.50%	7.00%	8.00%	9.00%	9.50%	10.00%
0.8%	43	38	35	29	24	23	21
1.3%	46	41	37	30	26	24	22
1.8%	51	45	40	32	27	25	23
2.3%	57	49	43	**35**	28	26	24
2.8%	64	55	47	37	30	28	25
3.3%	75	62	53	40	32	29	27
3.8%	89	72	60	44	35	31	28

Source: Company data, Credit Suisse estimates

Exhibit 9: DDM Discount Rate/Terminal Growth Rate Sensitivity for CPGX

NTM Distribution	Target Yield: 1.14%	1.26%	1.39%	1.51%	1.64%	1.76%	1.89%
$0.572	50	45	41	38	35	33	30
$0.557	53	48	43	40	37	34	32
$0.541	54	49	44	41	37	35	33
$0.530	47	42	38	**35**	32	30	28
$0.519	46	41	38	34	32	30	28
$0.504	43	39	36	33	30	28	26
$0.488	40	36	33	30	28	26	24

Source: Company data, Credit Suisse estimates

NI Valuation

Our stand-alone valuation for NI's utility businesses is based on our sum of the parts analysis shown in Exhibit 10. We utilize a 10x multiple on NI's Gas Distribution business and a 9x multiple on their Electric Operations business, we then back out net debt of ~$7B (does not include CPG debt) and divide by 317mm shares to arrive at $19.

Exhibit 10: NI SOTP

NI Sum of the Parts

Segment	Metric	2016 Est. EBITDA	Multiple Low	Multiple Base	Multiple High	EV Low	EV Base	EV High
Gas Distribution	EV/EBITDA	818	9.50x	**10.00x**	10.50x	$7,767	**$8,176**	$8,585
Electric Operations	EV/EBITDA	551	8.50x	**9.00x**	9.50x	$4,687	**$4,963**	$5,238
Total Enterprise / Equity Value						**$12,454**	**$13,139**	**$13,823**
Less: Net Debt						$6,974	$6,974	$6,974
Total Equity Value						**$5,480**	**$6,165**	**$6,849**
2015E Wtd Avg Shares O/S						317	317	317
Price / Share						**$17**	**$19**	**$22**
P/E 2016E EPS						**16.6x**	**18.6x**	**20.7x**

Source: Company data, Credit Suisse estimates

CPPL Valuation

We are maintaining our $35 target for Columbia Pipeline Partners (CPPL). Our $35 target price is derived from our 3-stage DDM (17.7%, 14.0%, 2.0%) discounted at 8%. Together with $0.75 in NTM distributions our target price indicates a target yield of 2.14% and suggests a total return of ~33%, supportive of our Outperform rating.

Exhibit 11: CPPL Rate of Return Sensitivity

Terminal growth rate	Required Rate of Return 6.50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%
0.5%	39	36	33	30	28	26	24
1.0%	42	38	34	32	29	27	25
1.5%	45	40	37	33	31	28	26
2.0%	49	43	39	**35**	32	30	27
2.5%	54	47	42	38	34	31	29
3.0%	60	52	46	41	37	33	30
3.5%	68	58	50	44	39	35	32

Source: Company data, Credit Suisse estimates

Exhibit 12: CPPL Target Yield Sensitivity

Distribution	Target Yield 1.77%	1.89%	2.02%	2.14%	2.27%	2.39%	2.52%
81.0%	46	43	40	38	36	34	32
78.8%	48	45	42	40	38	36	34
76.5%	49	46	43	41	38	36	34
75.0%	42	40	37	**35**	33	31	30
73.5%	42	39	36	34	32	31	29
71.3%	40	37	35	33	31	29	28
69.0%	36	34	32	30	28	27	26

Source: Company data, Credit Suisse estimates

Material Changes

Company	Price ccy	Price 14 May 15	Rating* Prev.	Rating* Cur.	Target Price Prev.	Target Price Cur.	Year End	EPS Ccy	EPS FY1E Prev.	EPS FY1E Cur.	EPS FY2E Prev.	EPS FY2E Cur.	EPS FY3E Prev.	EPS FY3E Cur.
Columbia Pipeline Partners (CPPL)	US$	26.91	—	O	—	35.00	Dec 14	US$	0.70	0.65	1.40	0.99	1.97	1.46
NiSource Inc. (NI)	US$	44.16	—	O	50.00	54.00	Dec 14	US$	1.82	1.53	1.94	1.04	2.16	1.10

*O – Outperform, N – Neutral, U – Underperform, R – Restricted
[V] = Stock considered volatile (see Disclosure Appendix).
Source: Company data, Credit Suisse estimates.

Risks

Main risks to our price targets are as follows:

(1) *Sentiment* on NI and CPGX currently seems overwhelmingly positive which means the shares could initially trade down as there could be an initial lack of buyers as investors seek to focus on one security or the other depending on investment style.

(2) *Execution risks* – delays in construction and/or cost over runs could negatively impact the cash flow generation capabilities of OpCo and CPGX negatively impacting the dividend forecast.

(3) *Analytical errors:* Given the complexity of the pieces of OpCo and how such shares of OpCo vary over time, our interpretation of how the structure works could be in error, having a negative impact on our cash flow and dividend forecasts with consequent negative impacts to our TPs.

(4) *Interest rate head winds:* With the Fed threatening to raise interest rates, there could be negative impacts to commodity prices with consequent negative impacts to producer plans which in turn could negatively impact pipeline volumes, cash flows, and dividends.

CREDIT SUISSE

Companies Mentioned *(Price as of 14-May-2015)*

Columbia Pipeline Partners, LP (CPPL.N, $26.91, OUTPERFORM[V], TP $35.0)
NiSource Inc. (NI.N, $44.16, OUTPERFORM, TP $54.0)

Disclosure Appendix

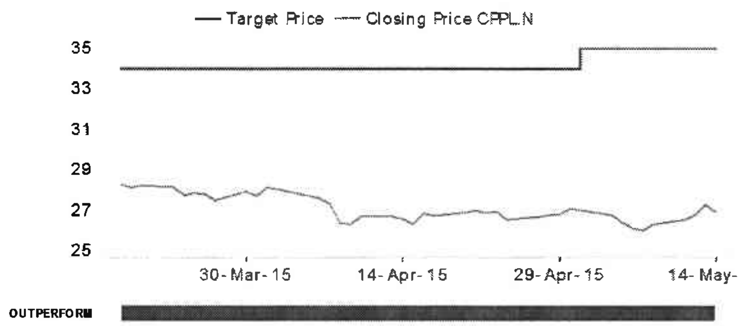
Important Global Disclosures

John Edwards, CFA, Bhavesh Lodaya and Abhiram Rajendran each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Columbia Pipeline Partners, LP (CPPL.N)

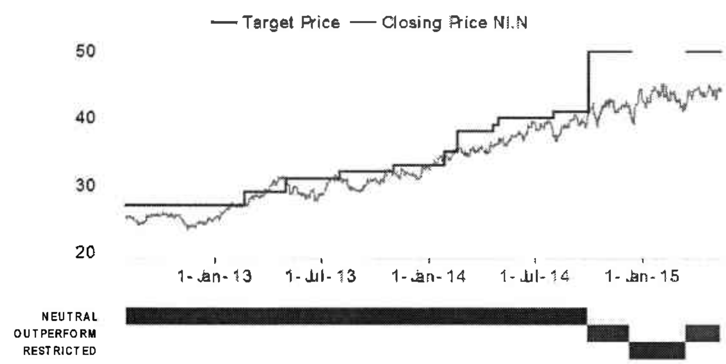
CPPL.N Date	Closing Price (US$)	Target Price (US$)	Rating
18-Mar-15	28.24	34.00	O *
01-May-15	26.99	35.00	

* *Asterisk signifies initiation or assumption of coverage.*



3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
01-Aug-12	25.38	27.00	N
20-Feb-13	27.04	29.00	
01-May-13	30.61	31.00	
01-Aug-13	31.11	32.00	
01-Nov-13	31.72	33.00	
28-Jan-14	34.18	35.00	
19-Feb-14	35.40	38.00	
21-Apr-14	35.71	39.00	
30-Apr-14	36.32	40.00	
31-Jul-14	37.68	41.00	
30-Sep-14	40.98	50.00	O
11-Dec-14	40.79		R
18-Mar-15	43.77	50.00	O



* *Asterisk signifies initiation or assumption of coverage.*

The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

As of December 10, 2012 Analysts' stock rating are defined as follows:

Outperform (O) : The stock's total return is expected to outperform the relevant benchmark*over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within*

CREDIT SUISSE

an analyst's coverage universe. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively. Prior to 10th December 2012, Japanese ratings were based on a stock's total return relative to the average total return of the relevant country or regional benchmark.

Restricted (R) : In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

Volatility Indicator [V] : A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' sector weightings are distinct from analysts' stock ratings and are based on the analyst's expectations for the fundamentals and/or valuation of the sector* relative to the group's historic fundamentals and/or valuation:

Overweight : The analyst's expectation for the sector's fundamentals and/or valuation is favorable over the next 12 months.

Market Weight : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

Underweight : The analyst's expectation for the sector's fundamentals and/or valuation is cautious over the next 12 months.

**An analyst's coverage sector consists of all companies covered by the analyst within the relevant sector. An analyst may cover multiple sectors.*

Credit Suisse's distribution of stock ratings (and banking clients) is:

Global Ratings Distribution

Rating	Versus universe (%)	Of which banking clients (%)
Outperform/Buy*	43%	(53% banking clients)
Neutral/Hold*	38%	(50% banking clients)
Underperform/Sell*	16%	(43% banking clients)
Restricted	3%	

**For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.*

Credit Suisse's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein.

Credit Suisse's policy is only to publish investment research that is impartial, independent, clear, fair and not misleading. For more detail please refer to Credit Suisse's Policies for Managing Conflicts of Interest in connection with Investment Research: http://www.csfb.com/research-and-analytics/disclaimer/managing_conflicts_disclaimer.html

Credit Suisse does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

Price Target: (12 months) for NiSource Inc. (NI.N)

Method: OUr $54 target price is based on our sum of the parts analysis utilizing an 10x EV/EBITDA multple on NI's Gas Distribution business, a 9x multiple on NI's Electric Operations business and a 10x multiple on the 73% of Columbia OpCo EBITDA not attributable to CPPL. Further, we value NI's 46.5% LP ownership and GP IDR's by discounting distributions in our 3-stage DDM.

Risk: Risks to our $54 target price mostly reside at the CPPL level, including execution risk by CPPL and lower distribution growth than we are currently modeling. The regulatory environment is benign commodity risk for Columbia Pipeline Group is limited due to long term fee-based contracts.

Price Target: (12 months) for Columbia Pipeline Partners, LP (CPPL.N)

Method: Our $35 TP is derived from our three-stage DDM (17.7%/14.0%/2.0%) discounted at 8%.

Risk: Risks to our $35 TP include: Execution Risk: Growth at the OpCo level is dependent on successful completion of CPG's backlog of growth projects. Inability to complete the the projects on time and within budget would adversely impact our projections for CPPL. Given the difficult commodity price environment, the most likely risk to project execution would be a scenario where customers attempt to renegotiate rate commitments or pull out of binding precedent agreements altogether. Capital Market Risk: As CPPL intends to issue large amounts of equity to finance its purchase of additional ownership interests / OpCo investments, a downturn in equity markets would adversely affect CPPL's ability to raise capital, or would force CPPL to issue more units at lower prices which would dilute unitholders. Interest rates are expected to rise in the coming year, and though CPPL has a relatively conservative balance sheet, any increase in rates would increase its cost of debt. Tax Treatment of MLPs: CPPL's ability to pay distributions may be hindered should the tax treatment of MLPs be changed. Although the discussion of taxing MLPs arises from time to time, we view such an event as a low probability. Regulatory, Environmental and Legal Risk: Columbia Gas and Columbia Gulf are FERC regulated natural gas transportation systems.

CREDIT SUISSE

Expansions to systems will likely require FERC and other regulatory agencies prior to commencing construction which could delay projects and costs could be higher to comply with regulations.

Please refer to the firm's disclosure website at https://rave.credit-suisse.com/disclosures for the definitions of abbreviations typically used in the target price method and risk sections.

See the Companies Mentioned section for full company names

The subject company (NI.N, CPPL.N) currently is, or was during the 12-month period preceding the date of distribution of this report, a client of Credit Suisse.

Credit Suisse provided investment banking services to the subject company (NI.N, CPPL.N) within the past 12 months.

Credit Suisse has managed or co-managed a public offering of securities for the subject company (NI.N, CPPL.N) within the past 12 months.

Credit Suisse has received investment banking related compensation from the subject company (NI.N, CPPL.N) within the past 12 months

Credit Suisse expects to receive or intends to seek investment banking related compensation from the subject company (NI.N, CPPL.N) within the next 3 months.

Important Regional Disclosures

Singapore recipients should contact Credit Suisse AG, Singapore Branch for any matters arising from this research report.

The analyst(s) involved in the preparation of this report have not visited the material operations of the subject company (NI.N, CPPL.N) within the past 12 months

Restrictions on certain Canadian securities are indicated by the following abbreviations: NVS--Non-Voting shares; RVS--Restricted Voting Shares; SVS--Subordinate Voting Shares.

Individuals receiving this report from a Canadian investment dealer that is not affiliated with Credit Suisse should be advised that this report may not contain regulatory disclosures the non-affiliated Canadian investment dealer would be required to make if this were its own report.

For Credit Suisse Securities (Canada), Inc.'s policies and procedures regarding the dissemination of equity research, please visit https://www.credit-suisse.com/sites/disclaimers-ib/en/canada-research-policy.html.

Credit Suisse has acted as lead manager or syndicate member in a public offering of securities for the subject company (NI.N, CPPL.N) within the past 3 years.

As of the date of this report, Credit Suisse acts as a market maker or liquidity provider in the equities securities that are the subject of this report.

Principal is not guaranteed in the case of equities because equity prices are variable.

Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that.

For Credit Suisse disclosure information on other companies mentioned in this report, please visit the website at https://rave.credit-suisse.com/disclosures or call +1 (877) 291-2683.

CREDIT SUISSE

References in this report to Credit Suisse include all of the subsidiaries and affiliates of Credit Suisse operating under its investment banking division. For more information on our structure, please use the following link: https://www.credit-suisse.com/who_we_are/en/This report may contain material that is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Credit Suisse AG or its affiliates ("CS") to any registration or licensing requirement within such jurisdiction. All material presented in this report, unless specifically indicated otherwise, is under copyright to CS. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of CS. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of CS or its affiliates. The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. CS may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. CS will not treat recipients of this report as its customers by virtue of their receiving this report. The investments and services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. CS does not advise on the tax consequences of investments and you are advised to contact an independent tax adviser. Please note in particular that the bases and levels of taxation may change. Information and opinions presented in this report have been obtained or derived from sources believed by CS to be reliable, but CS makes no representation as to their accuracy or completeness. CS accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that such liability arises under specific statutes or regulations applicable to CS. This report is not to be relied upon in substitution for the exercise of independent judgment. CS may have issued, and may in the future issue, other communications that are inconsistent with, and reach different conclusions from, the information presented in this report. Those communications reflect the different assumptions, views and analytical methods of the analysts who prepared them and CS is under no obligation to ensure that such other communications are brought to the attention of any recipient of this report. Some investments referred to in this report will be offered solely by a single entity and in the case of some investments solely by CS, or an associate of CS or CS may be the only market maker in such investments. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by CS and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments. Investors in securities such as ADR's, the values of which are influenced by currency volatility, effectively assume this risk. Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct their own investigation and analysis of the product and consult with their own professional advisers as to the risks involved in making such a purchase. Some investments discussed in this report may have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realised. Those losses may equal your original investment. Indeed, in the case of some investments the potential losses may exceed the amount of initial investment and, in such circumstances, you may be required to pay more money to support those losses. Income yields from investments may fluctuate and, in consequence, initial capital paid to make the investment may be used as part of that income yield. Some investments may not be readily realisable and it may be difficult to sell or realise those investments, similarly it may prove difficult for you to obtain reliable information about the value, or risks, to which such an investment is exposed. This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of CS, CS has not reviewed any such site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to CS's own website material) is provided solely for your convenience and information and the content of any such website does not in any way form part of this document. Accessing such website or following such link through this report or CS's website shall be at your own risk. This report is issued and distributed in Europe (except Switzerland) by Credit Suisse Securities (Europe) Limited, One Cabot Square, London E14 4QJ, England, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. This report is being distributed in Germany by Credit Suisse Securities (Europe) Limited Niederlassung Frankfurt am Main regulated by the Bundesanstalt fuer Finanzdienstleistungsaufsicht ("BaFin"). This report is being distributed in the United States and Canada by Credit Suisse Securities (USA) LLC; in Switzerland by Credit Suisse AG; in Brazil by Banco de Investimentos Credit Suisse (Brasil) S.A or its affiliates; in Mexico by Banco Credit Suisse (México), S.A. (transactions related to the securities mentioned in this report will only be effected in compliance with applicable regulation); in Japan by Credit Suisse Securities (Japan) Limited, Financial Instruments Firm, Director-General of Kanto Local Finance Bureau (*Kinsho*) No. 66, a member of Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association; elsewhere in Asia/ Pacific by whichever of the following is the appropriately authorised entity in the relevant jurisdiction: Credit Suisse (Hong Kong) Limited, Credit Suisse Equities (Australia) Limited, Credit Suisse Securities (Thailand) Limited, regulated by the Office of the Securities and Exchange Commission, Thailand, having registered address at 990 Abdulrahim Place, 27th Floor, Unit 2701, Rama IV Road, Silom, Bangrak, Bangkok 10500, Thailand, Tel. +66 2614 6000, Credit Suisse Securities (Malaysia) Sdn Bhd, Credit Suisse AG, Singapore Branch, Credit Suisse Securities (India) Private Limited (CIN no. U67120MH1996PTC104392) regulated by the Securities and Exchange Board of India (registration Nos. INB230970637; INF230970637; INB010970631; INF010970631), having registered address at 9th Floor, Ceejay House, Dr.A.B. Road, Worli, Mumbai - 18, India, T- +91-22 6777 3777, Credit Suisse Securities (Europe) Limited, Seoul Branch, Credit Suisse AG, Taipei Securities Branch, PT Credit Suisse Securities Indonesia, Credit Suisse Securities (Philippines) Inc., and elsewhere in the world by the relevant authorised affiliate of the above. Research on Taiwanese securities produced by Credit Suisse AG, Taipei Securities Branch has been prepared by a registered Senior Business Person. Research provided to residents of Malaysia is authorised by the Head of Research for Credit Suisse Securities (Malaysia) Sdn Bhd, to whom they should direct any queries on +603 2723 2020. This report has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (each as defined under the Financial Advisers Regulations) only, and is also distributed by Credit Suisse AG, Singapore branch to overseas investors (as defined under the Financial Advisers Regulations). By virtue of your status as an institutional investor, accredited investor, expert investor or overseas investor, Credit Suisse AG, Singapore branch is exempted from complying with certain compliance requirements under the Financial Advisers Act, Chapter 110 of Singapore (the "FAA"), the Financial Advisers Regulations and the relevant Notices and Guidelines issued thereunder, in respect of any financial advisory service which Credit Suisse AG, Singapore branch may provide to you. This information is being distributed by Credit Suisse AG, Dubai Branch, duly licensed and regulated by the Dubai Financial Services Authority (DFSA), and is directed at Professional Clients or Market Counterparties only, as defined by the DFSA. The financial products or financial services to which the information relates will only be made available to a client who meets the regulatory criteria to be a Professional Client or Market Counterparty only, as defined by the DFSA, and is not intended for any other person. This research may not conform to Canadian disclosure requirements. In jurisdictions where CS is not already registered or licensed to trade in securities, transactions will only be effected in accordance with applicable securities legislation, which will vary from jurisdiction to jurisdiction and may require that the trade be made in accordance with applicable exemptions from registration or licensing requirements. Non-U.S. customers wishing to effect a transaction should contact a CS entity in their local jurisdiction unless governing law permits otherwise. U.S. customers wishing to effect a transaction should do so only by contacting a representative at Credit Suisse Securities (USA) LLC in the U.S. Please note that this research was originally prepared and issued by CS for distribution to their market professional and institutional investor customers. Recipients who are not market professional or institutional investor customers of CS should seek the advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents. This research may relate to investments or services of a person outside of the UK or to other matters which are not authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority or in respect of which the protections of the Prudential Regulation Authority and Financial Conduct Authority for private customers and/or the UK compensation scheme may not be available, and further details as to where this may be the case are available upon request in respect of this report. CS may provide various services to US municipal entities or obligated persons ("municipalities"), including suggesting individual transactions or trades and entering into such transactions. Any services CS provides to municipalities are not viewed as "advice" within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. CS is providing any such services and related information solely on an arm's length basis and not as an advisor or fiduciary to the municipality. In connection with the provision of the any such services, there is no agreement, direct or indirect, between any municipality (including the officials, management, employees or agents thereof) and CS for CS to provide advice to the municipality. Municipalities should consult with their financial, accounting and legal advisors regarding any such services provided by CS. In addition, CS is not acting for direct or indirect compensation to solicit the municipality on behalf of an unaffiliated broker, dealer, municipal securities dealer, municipal advisor, or investment adviser for the purpose of obtaining or retaining an engagement by the municipality for or in connection with Municipal Financial Products, the issuance of municipal securities, or of an investment adviser to provide investment advisory services to or on behalf of the municipality. If this report is being distributed by a financial institution other than Credit Suisse AG, or its affiliates, that financial institution is solely responsible for distribution. Clients of that institution should contact that institution to effect a transaction in the securities mentioned in this report or require further information. This report does not constitute investment advice by Credit Suisse to the clients of the distributing financial institution, and neither Credit Suisse AG, its affiliates, and their respective officers, directors and employees accept any liability whatsoever for any direct or consequential loss arising from their use of this report or its content. Principal is not guaranteed. Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that.

Investment principal on bonds can be eroded depending on sale price or market price. In addition, there are bonds on which investment principal can be eroded due to changes in redemption amounts. Care is required when investing in such instruments.

When you purchase non-listed Japanese fixed income securities (Japanese government bonds, Japanese municipal bonds, Japanese government guaranteed bonds, Japanese corporate bonds) from CS as a seller, you will be requested to pay the purchase price only.

02 July 2015
Americas/United States
Equity Research
Master Limited Partnerships (MLPs (US))

CREDIT SUISSE

NiSource / Columbia Pipeline Group

INITIATION

Research Analysts
John Edwards, CFA
713 890 1594
john.edwards@credit-suisse.com
Abhiram Rajendran
212 538 9038
abhiram.rajendran@credit-suisse.com
Bhavesh Lodaya
212 325 2337
bhavesh.lodaya@credit-suisse.com
Dylan Nassano
212 325 8375
dylan.nassano@credit-suisse.com

Spinning to Grow - Initiating Coverage of CPGX at Outperform with a $35 TP

- **Initiating Coverage of CPGX**: With the publication of this report, we are initiating coverage of Columbia Pipeline Group, Inc. (CPGX) with an Outperform rating and a $35 target price. CPGX is the general partner of Columbia Pipeline Partners (CPPL, Outperform) and a spin-off of NiSource, Inc. (NI, Outperform). Shares of CPGX will begin trading on July 2nd, 2015, the day after NI issues one share of CPGX common stock to existing shareholders for each NI share owned. CPGX's initial assets include ~84% ownership of OpCo, the holding company that houses Columbia Pipeline Group's assets, 46.5% ownership of CPPL LP units which earn quarterly distributions and 100% of GP interests in CPPL, including IDRs. **See Slide Deck for details: Click Here**
- **Lowering Target Price for NI to $19 Post-Spin, Maintain OP:** Our stand-alone valuation for NI's utility businesses is based on our sum of the parts analysis. We utilize a 10x multiple on NI's Gas Distribution business and a 9x multiple on their Electric Operations business, we then back out net debt of ~$7B and divide by 317mm shares to arrive at $19. We are maintaining our Outperform rating on NI.
- **Updating CPPL Estimates:** After adjusting our CPPL/CPGX model for the split our CPPL adj. EBITDA estimates go to $94.8mm, $144.2mm and $281.2mm in 2015-2018 from $94.6mm, $153.3mm and $257.9mm, respectively. DCF to LP estimates go to $0.71, $0.99 and $1.39 from $0.60, $.0.82 and $1.00 in the same periods. We are maintaining our $35 target price and Outperform rating for CPPL.

Summary of Estimates, Target Price and Rating

Company	Price ccy	Price 01 Jul 15	Rating* Prev.	Rating* Cur.	Target Price Prev.	Target Price Cur.	Year End	EPS Ccy	EPS FY1E Prev.	EPS FY1E Cur.	EPS FY2E Prev.	EPS FY2E Cur.	EPS FY3E Prev.	EPS FY3E Cur.
Columbia Pipeline Group (CPGX)	US$	27.59	—	O	—	35.00	Dec 14	US$	—	0.56	—	1.02	—	0.88
Columbia Pipeline Partners (CPPL)	US$	24.73	—	O	—	35.00	Dec 14	US$	0.65	0.80	0.99	1.16	1.46	1.72
NiSource Inc. (NI)	US$	45.45	—	O	54.00	19.00	Dec 14	US$	—	1.53	1.04	1.05	1.10	1.14

*O – Outperform, N – Neutral, U – Underperform, R – Restricted

[V] = Stock considered volatile (see Disclosure Appendix).

Source: Company data, Credit Suisse estimates.

CREDIT SUISSE

02 July 2015

NiSource Inc. NI

Price (01 Jul 15): **US$45.45**, Rating: **OUTPERFORM***, Target Price: **US$(from 54.00) 19.00**

Income statement (US$ m)	12/14A	12/15E	12/16E	12/17E
Revenue (US$ m)	6,470.6	5,800.1	5,448.0	5,677.6
EBITDA	**1,868**	**1,704**	**1,392**	**1,500**
Depr. & amort.	(606)	(571)	(546)	(583)
EBIT (US$)	**1,262**	**1,132**	**846**	**917**
Net interest exp.	(388)	(401)	(375)	(399)
Associates	—	—	—	—
Other adj,	(34)	42	56	52
PBT (US$)	**841**	**773**	**527**	**570**
Income taxes	(310)	(271)	(190)	(205)
Profit after tax	**531**	**502**	**337**	**365**
Minorities	—	(14)	—	—
Preferred dividends	—	—	—	—
Associates & other	—	11	—	—
Net profit (US$)	**531**	**499**	**337**	**365**
Other NPAT adjustments	(1)	(14)	—	—
Reported net income	**530**	**485**	**337**	**365**

Cash flow (US$)	12/14A	12/15E	12/16E	12/17E
EBIT	1,262	1,132	846	917
Net interest	(388)	(401)	(375)	(399)
Cash taxes paid	—	—	—	—
Change in working capital	(140)	389	405	8
Other cash & non-cash items	584	471	413	430
Cash flow from operations	1,320	1,592	1,288	957
CAPEX	2,144	955	995	1,242
Free cash flow to the firm	**3,463**	**2,547**	**2,284**	**2,198**
Acquisitions	—	—	—	—
Divestments	13	12	—	—
Other investment/(outflows)	(101)	7	—	—
Cash flow from investments	**(2,117)**	**(1,326)**	**(1,400)**	**(1,250)**
Net share issue/(repurchase)	30	26	40	40
Dividends paid	(321)	(230)	(253)	(264)
Issuance (retirement) of debt	1,097	(43)	325	—
Other	(9,983)	4,203	(325)	(518)
Cash flow from financing	**(9,177)**	**3,957**	**(213)**	**(224)**
Effect of exchange rates	—	—	—	—
Changes in Net Cash/Debt	**(9,974)**	**4,222**	**(325)**	**(518)**
Net debt at start	—	9,974	5,752	6,077
Change in net debt	**9,974**	**(4,222)**	**325**	**518**
Net debt at end	9,974	5,752	6,077	6,595

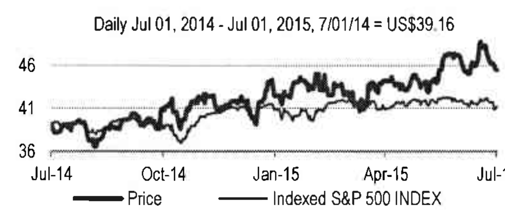
Balance sheet (US$ m)	12/14A	12/15E	12/16E	12/17E
Assets				
Cash and cash equivalents	25	42	42	42
Accounts receivable	1,070	647	657	680
Inventory	445	116	119	122
Other current assets	926	930	930	930
Total current assets	**2,466**	**1,735**	**1,747**	**1,773**
Total fixed assets	16,017	13,804	14,658	15,325
Intangible assets and goodwill	3,931	3,928	3,928	3,928
Investment securities	—	—	—	—
Other assets	2,452	2,426	2,426	2,426
Total assets	**24,866**	**21,894**	**22,760**	**23,453**
Liabilities				
Accounts payable	671	216	628	649
Short-term debt	1,577	374	1,449	2,716
Other short term liabilities	1,707	2,075	2,080	2,093
Total current liabilities	**3,955**	**2,664**	**4,156**	**5,458**
Long-term debt	8,156	4,958	4,208	3,458
Other liabilities	6,580	6,716	6,716	6,716
Total liabilities	**18,691**	**14,338**	**15,080**	**15,632**
Shareholders' equity	6,175	7,556	7,680	7,821
Minority interest	—	—	—	—
Total equity & liabilities	**24,866**	**21,894**	**22,760**	**23,453**
Net debt (US$ m)	9,974	5,752	6,077	6,595

Per share data	12/14A	12/15E	12/16E	12/17E
No. of shares (wtd avg)	317	318	320	321
CS adj. EPS (US$)	**1.68**	**1.53**	**1.05**	**1.14**
Prev. EPS (US$)	—	—	1.04	1.10
Dividend (US$)	1.28	0.98	0.79	0.83
Dividend payout ratio	76.36	64.54	75.27	72.57
Free cash flow per share	10.94	8.00	7.13	6.85

Key ratios and valuation	12/14A	12/15E	12/16E	12/17E
Growth (%)				
Sales	—	(10.4)	(6.1)	4.2
EBIT	—	(10.3)	(25.3)	8.4
Net profit	—	(5.9)	(32.4)	8.1
EPS	—	(9.0)	(30.9)	7.9
Margins (%)				
EBITDA margin	28.9	29.4	25.6	26.4
EBIT margin	19.5	19.5	15.5	16.2
Pretax margin	13.0	13.3	9.7	10.0
Net margin	8.2	8.6	6.2	6.4
Valuation metrics (x)				
EV/sales	3.8	3.5	3.8	3.7
EV/EBITDA	12.4	13.6	16.6	15.4
EV/EBIT	19.3	17.8	24.2	22.9
P/E	27.1	29.8	43.1	40.0
P/B	2.3	2.1	2.1	2.1
Asset turnover	0.26	0.26	0.24	0.24
ROE analysis (%)				
ROE stated-return on	—	7.5	5.0	5.3
ROIC	4.9	5.5	3.9	4.1
Interest burden	0.67	0.68	0.62	0.62
Tax rate	36.9	35.1	36.0	36.0
Financial leverage	1.6	0.9	0.9	0.9
Credit ratios (%)				
Net debt/equity	161.5	76.1	79.1	84.3
Net debt/EBITDA	5.3	3.4	4.4	4.4
Interest coverage ratio	3.3	2.8	2.3	2.3

Quarterly data	12/14A	12/15E	12/16E	12/17E
EPS for Q1	—	0.85	0.61	0.71
EPS for Q2	—	0.25	0.07	0.06
EPS for Q3	—	0.05	0.02	0.02
EPS for Q4	—	0.39	0.35	0.35

Source: Company data, Credit Suisse estimates.



On 07/01/15 the S&P 500 INDEX closed at 2077.42

CREDIT SUISSE

02 July 2015

Columbia Pipeline Partners CPPL

Price (01 Jul 15): **US$24.73**, Rating: **OUTPERFORM**, Target Price: **US$35.00**, Analyst: **John Edwards**

Per share data	12/14A	12/15E	12/16E	12/17E
No. of shares (EOP)	—	100.64	111.37	153.19
EPS (Credit Suisse) (US$)	—	**0.80**	**1.16**	**1.72**
DPS (US$)	—	0.7	0.9	1.0
Book value per share (US$)	—	15.6	23.4	34.9
Operating cash flow per share	—	1.67	6.21	4.57

Income statement (US$ m)	12/14A	12/15E	12/16E	12/17E
EBITDAX (US$ m)	—	685.6	744.1	887.3
Exploration expense	—	—	—	—
EBITDA (US$ m)	—	685.6	744.1	887.3
Depr & amort (excl. goodwill)	—	133.4	159.5	208.5
Goodwill impairment	—	—	—	—
EBIT (m)	—	549.4	584.4	674.7
Net interest income (exp)	—	(30)	(22)	(24)
Net non operating inc (exp)	—	(65.7)	(27.5)	(30.1)
Share of associates/JVs' equity	—	—	—	—
Exceptionals	—	(65.7)	(27.5)	(30.1)
Profit before tax (US$ m)	—	513.3	579.2	668.2
Taxes	—	—	—	—
Profit after tax	—	513.3	579.2	668.2
Extraordinary gain/(loss)	—	—	—	—
Non-controlling interest (minority)	—	432.7	450.6	404.0
Preferred dividends	—	—	—	—
EBIDAX (US$ m)	—	685.63	744.14	887.31
EV/EBIDAX (x)	—	4.4	4.5	—
Adjusted net income (US$ m)	—	80.6	128.6	264.2

Cash flow	12/14A	12/15E	12/16E	12/17E
Net income (US$ m)	—	80.6	128.6	264.2
DD&A	—	133.4	159.5	208.5
Exploration expense	—	—	—	—
Change in working capital	—	(54.4)	699.1	699.1
Other cash & non-cash items	—	(327.0)	(591.6)	(673.2)
Cash flow from operations	—	168.0	691.9	700.6
CAPEX (US$ m)	—	(114.0)	(1,114.4)	(1,325.7)
Disposals of PPE	—	—	—	—
Free cash flow to the firm (US$)	—	54.0	(422.5)	(625.1)
Acquisitions	—	—	—	—
Divestments	—	—	—	—
Other investment/(outflows)	—	(20.4)	(690.6)	—
Cash flow from investment	—	(134.4)	(1,805.0)	(1,325.7)
Net share issue/(repurchase)	—	—	1,168.4	544.6
Dividends paid	—	—	(552.8)	(87.6)
Change in debt	—	121.4	(1,038.5)	24.3
Other financing inflows/outflows	—	(94.3)	1,550.5	234.1
Cash flow from financing activities	—	27.1	1,127.6	715.4
Effect of exchange rates	—	—	—	—
Movements in cash/equivalents	—	60.7	14.5	90.3

Balance sheet	12/14A	12/15E	12/16E	12/17E
Assets				
Cash and cash equivalents	—	7.2	7.2	7.2
Accounts receivable	—	958.8	958.8	958.8
Inventory	—	25.2	25.2	25.2
Other current assets	—	95.1	95.1	95.1
Total current assets	—	1,086.3	1,086.3	1,086.3
Total fixed assets	—	5,919.6	7,214.2	10,629.0
Intangible assets and goodwill	—	—	—	—
Investment securities	—	—	—	—
Other assets	—	696.5	696.5	696.5
Total assets	—	9,678	10,973	14,387
Liabilities				
Accounts payable	—	84.9	84.9	84.9
Short-term debt	—	7.0	7.0	7.0
Other short term liabilities	—	295.3	295.3	295.3
Total current liabilities	—	387.2	387.2	387.2
Long-term debt	—	550.2	574.6	632.2
Other liabilities	—	380.2	380.2	380.2
Total liabilities	—	1,372.0	1,396.4	1,454.0
Shareholders' equity	—	1,569.5	2,605.7	5,342.6
Minority interest	—	—	—	—
Total equity & liabilities	—	9,677.9	10,972.5	14,387.3

Key ratios and valuation	12/14A	12/15E	12/16E	12/17E
Margins (%)				
EBITDAX margin	—	48.2	47.3	51.4
EBIT margin	—	38.6	37.1	39.1
Net margin	—	5.7	8.2	15.3
Valuation metrics (%)				
Div yield %	—	2.9	3.5	4.2
FCF yield (%)	—	2.2	(15.3)	(16.5)
EV/EBITDAX (x)	—	4.4	4.5	5.0
P/E	—	30.9	21.4	14.3
P/B	—	1.6	1.1	0.7
ROE analysis (%)				
ROE	—	5.1	6.2	6.6
ROGIC (%)	—	—	6.1	5.7
Asset turnover	—	14.7	14.3	12.0
Interest burden	—	0.93	0.99	0.99
Tax burden	—	—	—	—
Financial leverage	—	616.6	421.1	269.3
Credit ratios				
Net debt/equity (%)	—	6.6	6.0	4.9
Interest coverage ratio (x)	—	(18.6)	(26.1)	(28.5)
Dividend payout ratio (%)	—	—	—	—

Source: Company data, Credit Suisse estimates.

Columbia Pipeline Group CPGX

Price (01 Jul 15): **US$27.59**, Rating: **OUTPERFORM**, Target Price: **US$35.00**, Analyst: **John Edwards**

Per share data	12/14A	12/15E	12/16E	12/17E
No. of shares (EOP)	317.38	317.38	317.38	317.38
EPS (Credit Suisse) (US$)	**1.22**	**0.56**	**1.02**	**0.88**
DPS (US$)	—	0.52	0.60	0.72
Book value per share (US$)	13.2	10.1	11.3	12.7
Operating cash flow per share	2.61	1.98	2.33	2.78

Income statement (US$ m)	12/14A	12/15E	12/16E	12/17E
EBITDAX (US$ m)	—	611.5	641.4	665.7
Exploration expense	—	—	—	—
EBITDA (US$ m)	—	611.5	641.4	665.7
Depr & amort (excl. goodwill)	147.5	133.4	159.5	208.5
Goodwill impairment	—	—	—	—
EBIT (m)	457.7	549.4	584.4	674.7
Net interest income (exp)	30	112	120	145
Net non operating inc (exp)	7.8	17.2	18.4	27.9
Share of associates/JVs' equity	—	—	—	—
Exceptionals	7.8	17.2	18.4	27.9
Profit before tax (US$ m)	435.4	454.8	482.8	557.5
Taxes	46.8	—	48.3	66.9
Profit after tax	388.6	454.8	434.5	490.6
Extraordinary gain/(loss)	—	—	—	—
Non-controlling interest (minority)	—	73.3	112.1	211.0
Preferred dividends	—	—	—	—
EBIDAX (US$ m)	(46.80)	611.46	593.13	598.79
EV/EBIDAX (x)	—	19.9	20.9	—
Adjusted net income (US$ m)	388.6	381.5	322.4	279.6

Cash flow	12/14A	12/15E	12/16E	12/17E
Net income (US$ m)	388.6	381.5	322.4	279.6
DD&A	147.5	133.4	159.5	208.5
Exploration expense	—	—	—	—
Change in working capital	192.7	—	—	—
Other cash & non-cash items	178.7	79.2	154.6	206.2
Cash flow from operations	829.0	628.7	739.0	880.9
CAPEX (US$ m)	(744.9)	(1,114.4)	(1,325.7)	(3,481.8)
Disposals of PPE	10.1	—	—	—
Free cash flow to the firm (US$)	84.1	(485.7)	(586.7)	(2,600.9)
Acquisitions	—	—	—	—
Divestments	—	—	—	—
Other investment/(outflows)	(148.9)	—	—	—
Cash flow from investment	(883.7)	(1,114.4)	(1,325.7)	(3,481.8)
Net share issue/(repurchase)	—	—	—	—
Dividends paid	—	(1,531.7)	(192.0)	(230.1)
Change in debt	307.8	1,548.3	234.1	620.2
Other financing inflows/outflows	—	(700.0)	—	—
Cash flow from financing activities	307.8	(683.5)	42.1	390.1
Effect of exchange rates	—	—	—	—
Movements in cash/equivalents	253.1	(1,169.2)	(544.6)	(2,210.8)

Balance sheet	12/14A	12/15E	12/16E	12/17E
Assets				
Cash and cash equivalents	0.40	0.40	0.40	0.40
Accounts receivable	258.8	258.8	258.8	258.8
Inventory	24.6	24.6	24.6	24.6
Other current assets	103.0	103.0	103.0	103.0
Total current assets	386.8	386.8	386.8	386.8
Total fixed assets	4,975.1	5,956.1	7,122.2	10,395.5
Intangible assets and goodwill	—	—	—	—
Investment securities	—	—	—	—
Other assets	676.3	968.2	1,010.3	1,400.4
Total assets	8,014	9,287	10,495	14,158
Liabilities				
Accounts payable	105.3	105.3	105.3	105.3
Short-term debt	340.7	340.7	340.7	340.7
Other short term liabilities	277.9	277.9	277.9	277.9
Total current liabilities	723.9	723.9	723.9	723.9
Long-term debt	1,493.1	3,041.4	3,275.5	3,895.7
Other liabilities	383.2	383.2	383.2	383.2
Total liabilities	3,827.8	5,376.1	5,610.2	6,230.4
Shareholders' equity	4,185.9	3,203.6	3,596.0	4,040.6
Minority interest	—	707	1,289	3,887
Total equity & liabilities	8,013.7	9,286.6	10,494.8	14,158.2

Key ratios and valuation	12/14A	12/15E	12/16E	12/17E
Margins (%)				
EBITDAX margin	—	42.9	40.8	38.6
EBIT margin	35.6	38.6	37.1	39.1
Net margin	30.2	26.8	20.5	16.2
Valuation metrics (%)				
Div yield %	—	1.9	2.2	2.6
FCF yield (%)	—	(5.5)	(6.7)	(29.7)
EV/EBITDAX (x)	—	19.9	19.3	19.5
P/E	22.5	48.9	27.2	31.3
P/B	2.1	2.7	2.4	2.2
ROE analysis (%)				
ROE	9.6	10.3	9.5	7.3
ROGIC (%)	7.2	8.3	6.7	5.7
Asset turnover	16.0	15.3	15.0	12.2
Interest burden	0.95	0.83	0.83	0.83
Tax burden	0.11	—	0.10	0.12
Financial leverage	191.4	237.5	214.9	178.6
Credit ratios				
Net debt/equity (%)	43.8	86.5	74.0	53.4
Interest coverage ratio (x)	15.2	4.9	4.9	4.7
Dividend payout ratio (%)	—	—	—	—

Source: Company data, Credit Suisse estimates.

Companies Mentioned *(Price as of 01-Jul-2015)*

CREDIT SUISSE

Companies Mentioned *(Price as of 01-Jul-2015)*

Columbia Pipeline Group, Inc. (CPGX_w.N, $27.59, OUTPERFORM[V], TP $35.0)
Columbia Pipeline Partners, LP (CPPL.N, $24.73, OUTPERFORM[V], TP $35.0)
NiSource Inc. (NI.N, $45.45, OUTPERFORM, TP $19.0)

Disclosure Appendix

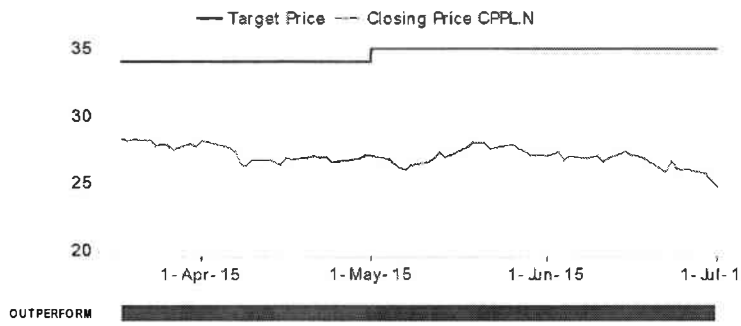
Important Global Disclosures

John Edwards, CFA, Bhavesh Lodaya and Abhiram Rajendran each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Columbia Pipeline Partners, LP (CPPL.N)

CPPL.N Date	Closing Price (US$)	Target Price (US$)	Rating
18-Mar-15	28.24	34.00	O *
01-May-15	26.99	35.00	

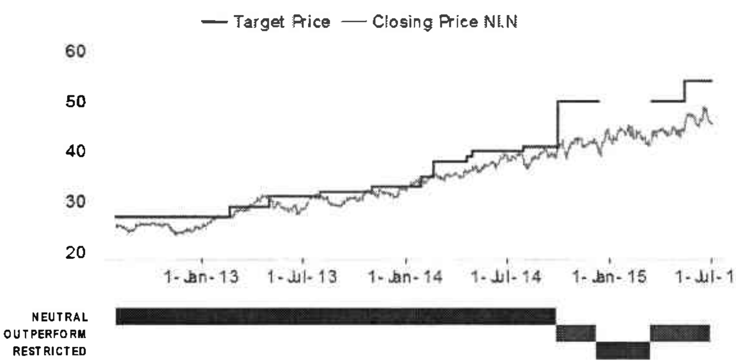
** Asterisk signifies initiation or assumption of coverage.*



3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
01-Aug-12	25.38	27.00	N
20-Feb-13	27.04	29.00	
01-May-13	30.61	31.00	
01-Aug-13	31.11	32.00	
01-Nov-13	31.72	33.00	
28-Jan-14	34.18	35.00	
19-Feb-14	35.40	38.00	
21-Apr-14	35.71	39.00	
30-Apr-14	36.32	40.00	
31-Jul-14	37.68	41.00	
30-Sep-14	40.98	50.00	O
11-Dec-14	40.79		R
18-Mar-15	43.77	50.00	O
15-May-15	45.48	54.00	

** Asterisk signifies initiation or assumption of coverage.*



The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

As of December 10, 2012 Analysts' stock rating are defined as follows:

Outperform (O) : The stock's total return is expected to outperform the relevant benchmark*over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings* *are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; prior to 2nd October 2012 U.S. and Canadian ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, the expected total return (ETR) calculation includes 12-month rolling dividend yield. An Outperform rating is assigned where an ETR is greater than or equal to 7.5%; Underperform where an ETR less than or equal to 5%. A Neutral may be assigned where the ETR is between -5% and 15%. The overlapping rating range allows analysts to assign a rating that puts ETR in the context of associated risks. Prior to 18 May 2015, ETR ranges for Outperform and Underperform ratings did not overlap with Neutral thresholds between 15% and 7.5%, which was in operation from 7 July 2011.*

Restricted (R) : In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

Volatility Indicator [V] : A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' sector weightings are distinct from analysts' stock ratings and are based on the analyst's expectations for the fundamentals and/or valuation of the sector* relative to the group's historic fundamentals and/or valuation:

Overweight : The analyst's expectation for the sector's fundamentals and/or valuation is favorable over the next 12 months.

Market Weight : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

Underweight : The analyst's expectation for the sector's fundamentals and/or valuation is cautious over the next 12 months.

**An analyst's coverage sector consists of all companies covered by the analyst within the relevant sector. An analyst may cover multiple sectors.*

Credit Suisse's distribution of stock ratings (and banking clients) is:

Global Ratings Distribution

Rating	Versus universe (%)	Of which banking clients (%)
Outperform/Buy*	50%	(26% banking clients)
Neutral/Hold*	35%	(43% banking clients)
Underperform/Sell*	13%	(46% banking clients)
Restricted	2%	

**For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.*

Credit Suisse's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein.

Credit Suisse's policy is only to publish investment research that is impartial, independent, clear, fair and not misleading. For more detail please refer to Credit Suisse's Policies for Managing Conflicts of Interest in connection with Investment Research: http://www.csfb.com/research-and-analytics/disclaimer/managing_conflicts_disclaimer.html

Credit Suisse does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

Price Target: (12 months) for NiSource Inc. (NI.N)

Method: Our stand-alone valuation for NI's utility businesses is based on our sum of the parts analysis shown in Exhibit 10. We utilize a 10x multiple on NI's Gas Distribution business and a 9x multiple on their Electric Operations business, we then back out net debt of ~$7B (does not include CPG debt) and divide by 317mm shares to arrive at $19.

Risk: Risks to our $19 include regulatory risk and project execution.

Price Target: (12 months) for Columbia Pipeline Partners, LP (CPPL.N)

Method: Our $35 TP is derived from our three-stage DDM (19.6%/11.0%/2.0%) discounted at 8%.

Risk: Risks to our $35 TP include: Execution Risk: Growth at the OpCo level is dependent on successful completion of CPG's backlog of growth projects. Inability to complete the the projects on time and within budget would adversely impact our projections for CPPL. Given the difficult commodity price environment, the most likely risk to project execution would be a scenario where customers attempt to renegotiate rate commitments or pull out of binding precedent agreements altogether. Capital Market Risk: As CPPL intends to issue large amounts of equity to finance its purchase of additional ownership interests / OpCo investments, a downturn in equity markets would adversely affect CPPL's ability to raise capital, or would force CPPL to issue more units at lower prices which would dilute unitholders. Interest rates are expected to rise in the coming year, and though CPPL has a relatively conservative balance sheet, any increase in rates would increase its cost of debt. Tax Treatment of MLPs: CPPL's ability to pay distributions may be hindered should the tax treatment of MLPs be changed. Although the discussion of taxing MLPs arises from time to time, we view such an event as a low probability.

CREDIT SUISSE

Regulatory, Environmental and Legal Risk: Columbia Gas and Columbia Gulf are FERC regulated natural gas transportation systems. Expansions to systems will likely require FERC and other regulatory agencies prior to commencing construction which could delay projects and costs could be higher to comply with regulations.

Price Target: (12 months) for Columbia Pipeline Group, Inc. (CPGX_w.N)

Method: Our $35 target price is based on a three-stage distribution discount model (DDM) that assumes a discount rate of 8.0%, a distribution CAGR of 16.1% over the first five years and 20.0% over the following five years, and a terminal growth rate of 3.0%.

Risk: Risks include: CPGX's growth is tied to CPPL, project execution risk, dependence on capital markets, regulatory risk, tax treatment of MLPs.

Please refer to the firm's disclosure website at https://rave.credit-suisse.com/disclosures for the definitions of abbreviations typically used in the target price method and risk sections.

See the Companies Mentioned section for full company names

The subject company (NI.N, CPPL.N, CPGX_w.N) currently is, or was during the 12-month period preceding the date of distribution of this report, a client of Credit Suisse.

Credit Suisse provided investment banking services to the subject company (NI.N, CPPL.N, CPGX_w.N) within the past 12 months.

Credit Suisse has managed or co-managed a public offering of securities for the subject company (NI.N, CPPL.N, CPGX_w.N) within the past 12 months.

Credit Suisse has received investment banking related compensation from the subject company (NI.N, CPPL.N, CPGX_w.N) within the past 12 months

Credit Suisse expects to receive or intends to seek investment banking related compensation from the subject company (NI.N, CPPL.N, CPGX_w.N) within the next 3 months.

As of the date of this report, Credit Suisse makes a market in the following subject companies (NI.N).

Important Regional Disclosures

Singapore recipients should contact Credit Suisse AG, Singapore Branch for any matters arising from this research report.

The analyst(s) involved in the preparation of this report have not visited the material operations of the subject company (NI.N, CPPL.N, CPGX_w.N) within the past 12 months

Restrictions on certain Canadian securities are indicated by the following abbreviations: NVS--Non-Voting shares; RVS--Restricted Voting Shares; SVS--Subordinate Voting Shares.

Individuals receiving this report from a Canadian investment dealer that is not affiliated with Credit Suisse should be advised that this report may not contain regulatory disclosures the non-affiliated Canadian investment dealer would be required to make if this were its own report.

For Credit Suisse Securities (Canada), Inc.'s policies and procedures regarding the dissemination of equity research, please visit https://www.credit-suisse.com/sites/disclaimers-ib/en/canada-research-policy.html.

Credit Suisse has acted as lead manager or syndicate member in a public offering of securities for the subject company (NI.N, CPPL.N) within the past 3 years.

As of the date of this report, Credit Suisse acts as a market maker or liquidity provider in the equities securities that are the subject of this report.

Principal is not guaranteed in the case of equities because equity prices are variable.

Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that.

For Credit Suisse disclosure information on other companies mentioned in this report, please visit the website at https://rave.credit-suisse.com/disclosures or call +1 (877) 291-2683.

CREDIT SUISSE

Investment principal on bonds can be eroded depending on sale price or market price. In addition, there are bonds on which investment principal can be eroded due to changes in redemption amounts. Care is required when investing in such instruments.

When you purchase non-listed Japanese fixed income securities (Japanese government bonds, Japanese municipal bonds, Japanese government guaranteed bonds, Japanese corporate bonds) from CS as a seller, you will be requested to pay the purchase price only.

Edward Jones
MAKING SENSE OF INVESTING

NISOURCE
(NYSE: NI)

July 2, 2015
Initiating Coverage

Rating	**BUY**
Suitability	Growth & Income
Dividend Outlook (1-Year)	Rising
Price	$17.00
Dividend Yield	3.6%
Sector	Utilities
Subsector	Natural Gas
Recommended Sector Weight	4%

Company Overview

NiSource is a 100% regulated natural gas and electric utility. The company serves approximately 500,000 electric customers in Northern Indiana and 3.5 million natural gas distribution customers across Indiana, Ohio, Pennsylvania, Massachusetts, Virginia, Kentucky and Maryland. The company was founded in 1912 and is headquartered in Merrillville, Ind.

Revenues International	0%

Valuation & Earnings

52-Week Range	NA – NA
Market Cap.	$5.1bn.
LT EPS Growth Estimate	6%
Est. Earnings Date	August 5, 2015

	FY2014E	FY2015E	FY2016E
Earnings	0.95	1.01	1.09
P/E	17.9x	16.8x	15.6x
PEGY	1.9x	1.7x	1.6x

Dividends & Income

Dividend/Yield	$0.62/3.6%
LT Dividend Growth Estimate	6%
5-Yr. Trailing Growth	2%
Last Change	8% / Jul 1, 2015
Paid Since	1980
Consecutive Years Increased	3
Payout Ratio ('15 Est. EPS)	61%
Dividends Paid	Feb, May, Aug, Nov

Debt Ratings

Standard & Poor's/Moody's	BBB+ /Baa2

2014 earnings is Edward Jones pro-forma estimate.

Analyst	Andy Smith, CFA

INVESTMENT SUMMARY

We are initiating coverage of NiSource with a Buy rating. The company recently spun off its midstream business, Columbia Pipeline Group, after divesting various other unregulated businesses over the past decade. NiSource is now a fully regulated utility that operates in seven states. More regulated companies tend to trade at higher valuations than less regulated ones. Additionally, we believe NiSource will grow its earnings per share and dividend at the top end of its 4% to 6% guidance range, driven by infrastructure investments and supported by favorable regulatory environments. The company possesses good regulatory mechanisms in its service territories that enable it to earn close to its allowed returns, which are slightly above the industry average.

Ongoing Infrastructure Investments Lead to Solid Long-term EPS and Dividend Growth

NiSource has an estimated pipeline of $30 billion of infrastructure investments over the next 20+ years. The bulk of spending is on safety and reliability investments that will modernize the gas and electric systems. We believe these investment programs, supported by favorable regulatory environments, will enable NiSource to grow EPS at the upper end of its 4% to 6% guidance range. We believe NiSource will grow its dividend at or above EPS growth because we expect NiSource's initial payout ratio to be at the low end of its target range of 60% to 70%.

Constructive and Diversified Regulatory Environment

This infrastructure spending will be supported by NiSource's progressive and diverse service territories. Of NiSource's seven states, the company's largest service area is in Northern Indiana, which accounts for nearly 50% of the company's total rate base. Indiana's regulatory environment is one of the more constructive in the country. Ohio (20% of rate base) and Pennsylvania (15% of rate base) also have desirable mechanisms in place that allow NiSource to earn close to its allowed returns.

Fully Regulated Business Model

Fully regulated operations provide greater consistency and stability in EPS and dividend growth. NiSource's story is simple and easy to understand. This typically leads to higher valuation levels.

Valuation

We believe NiSource deserves to trade at premium valuation levels due to its 1) favorable regulatory environment, 2) robust capital spending plan, and 3) fully regulated business model. The shares trade at less than 16 times our 2016 earnings per share estimate, which is a premium to electric utilities but a discount to gas names.

Risks

The main risks to our Buy rating are 1) poor operational execution, 2) weakening regulatory relationships, 3) softer industrial customer demand, and 4) higher debt levels compared with peers.

Please see important disclosure information on page 4 of this report.

RECENT NEWS AND ANALYSIS

7/2/15: We are initiating coverage of NiSource with a Buy rating.

6/24/15: NiSource will spin off its midstream business, Columbia Pipeline Group, on July 1, 2015. Shareholders who owned NI prior to June 17, 2015, will now own shares of both companies. For example, shareholders who owned one share of NI prior to June 17 will now own that one share of NI plus one share of the spinoff company, Columbia Pipeline Group (CPGX), after July 1. Shares of CPGX are expected to be distributed July 1 and begin trading July 2.

4/30/2015: NiSource reported first-quarter earnings per share of $0.85, above the same period last year and above expectations for $0.82. The company's gas distribution business increased operating income 9% from the same period last year due to favorable regulatory programs implemented in some of its service territories, partially offset by higher costs. Electric operations reported 9% lower operating income due to lower industrial margins and higher operating expenses.

COMPANY OUTLOOK

NiSource's long-term earnings per share growth target is 4% to 6%. The company has guided 2016 EPS to be $1.00 to $1.10. We believe NiSource's estimates could prove conservative based on the company's systematic infrastructure investment programs that will consistently increase its rate base. We believe NiSource will receive little resistance on these investments since they are centered around safety and reliability needs. State commissions are more likely to approve bite-sized investment programs such as these over larger projects that will result in drastic customer rate hikes.

NiSource has a large industrial customer base, in particular steel companies, that has historically caused some volatility. NiSource has mitigated this impact over time by implementing more fixed charges in industrial customer bills that lessen NiSource's earnings impact if industrial demand weakens. Although we do not expect this to happen, if one of NiSource's larger steel customers were to close a major plant in NiSource's service territory, it could have a negative impact on earnings.

Fully Regulated Utility Operations
NiSource is now a fully regulated utility that operates in seven states. Natural gas distribution accounts for roughly two-thirds of its earnings, and its electric business in Northern Indiana accounts for the rest. We view the company's transformation to regulated operations positively, and we like the company's mix between gas and electric operations. The company's business is divided into two segments:

Natural Gas Distribution (64% of 2014 operating income)
NiSource operates its gas-distribution business in seven states: Indiana, Ohio, Pennsylvania, Massachusetts, Virginia, Kentucky and Maryland. The company does not own any interest in interstate pipelines, storage or marketing businesses. It simply delivers natural gas through its distribution lines into homes, businesses and industrial customers. NiSource does not take any commodity risk; natural gas prices are simply passed directly to customers with no mark-up. NiSource gets paid by earning a return on its rate base, which consists of approved infrastructure investments. Having good regulatory relations is key to growing earnings because rate cases and state legislation dictate how much and how quickly NiSource can earn on its investments.

We believe NiSource possesses a long runway of growth projects, such as improving the safety and reliability of its infrastructure through pipeline-replacement programs. NiSource has programs in place to earn a return on its investments quickly. For example, NiSource has an infrastructure modernization program in place in Indiana that allows the company to systematically earn returns on its growth projects through semiannual filings. This reduces regulatory lag (the time between when a utility spends money on projects and when its allowed to recover this investment in customer bills).

Electric Operations (36% of 2014 operating income)
NiSource owns a fully integrated electric utility business in northern Indiana that serves approx. 500,000 customers.

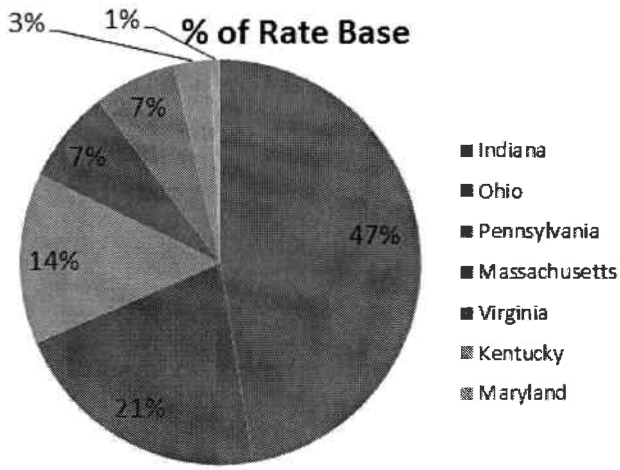
Generation - The company operates three coal-generation plants that account for 77% of total operating capacity, with the remaining generation coming from natural gas plants. The company has spent the last three years investing in carbon dioxide emission-control equipment at two of its three coal plants. Its other coal plant will most likely close in the early 2020's and be replaced by a combined-cycle gas plant. The timing of this will be influenced by how aggressive the Environmental Protection Agency's (EPA) goal is to reduce carbon emissions through its Clean Power Plan.

Transmission & Distribution (T&D) - In its T&D business, NiSource possesses strong growth projects consisting of an electric system modernization program and two transmission projects. The company's two transmission projects are expected to be in service in late 2018. Outside of these projects, we do not expect any additional transmission projects. NiSource will focus its electric investments primarily on modernizing the grid through wire replacements to enhance its safety and reliability.

Regulatory Overview
Overall, NiSource operates in constructive regulatory environments. The company possesses above-average allowed returns on equity (ROE) of roughly 10% and earns close to its allowed return. Favorable regulatory mechanisms enable the company to recover infrastructure investments in a timely fashion.

We view the company's diverse regulatory environment positively. Operating in seven states **(see Figure 1)** mitigates the company's operating and regulatory risk. NiSource will file more general rate cases due to serving seven service areas, which can lead to some uncertainty. However, the company has constructive regulatory relations in its service territories that it is committed to maintaining. Below is more detail on the company's regulatory relations in its three largest territories.

Figure 1



Source: NiSource

Indiana - This state has a constructive regulatory environment overall. Allowed returns are higher than the industry average, and NiSource has trackers in place to recover on its spending in a timely fashion. This helps reduce regulatory lag and grow earnings faster. The bulk of the company's growth is through its electric and gas system modernization programs. These programs have semiannual trackers to recover costs without entering a full-blown general rate case.

Ohio - The regulatory environment is positive for NiSource in Ohio. The company has higher-than-average allowed returns and infrequent general rate cases. NiSource has a fully tracked annual infrastructure-replacement program that allows the company to avoid rate cases for up to 10 years. The annual filings result in some regulatory lag which widens the gap between allowed returns on equity and actual returns, but the lag is less than 12 months.

Pennsylvania - We expect continued constructive relations in Pennsylvania. NiSource recovers infrastructure investments and other costs through frequent rate cases that utilize a forward test year. Forward test years project future expenses that allow the utility to earn a return on that estimated spending without delay.

INDUSTRY OUTLOOK

Our outlook for the utility sector is average because we see annual earnings growth of about 5% going forward. Our growth outlook primarily reflects our expectations for more spending on utility infrastructure going forward. It is our view that the utility industry in general has underinvested in infrastructure in recent decades. As a result, many of the utility assets in the U.S. today are old and are in need of maintenance, repair or outright replacement. The various areas needing investment going forward include electric transmission wires, power plants, natural gas pipelines, and water utility infrastructure. This investment will be needed to address the effects of aging infrastructure as well as to meet demand related to natural customer growth. Many estimates forecast the potential investment needs to be several hundreds of billions of dollars over the next two or three decades. It is this spending that we believe will accelerate the future earnings growth of many utilities.

FINANCIAL POSITION

NiSource's credit is rated investment-grade by all three major rating agencies. However, the company has higher leverage than the average utility and plans to keep a debt-to-capital ratio (total debt / total debt + equity) in the mid-60% range. Most utilities' debt-to-capital ratio is closer to the mid-50% range. The company has a dividend reinvestment program (DRIP) of roughly $50 million per year, and we believe the company will have to issue an additional $400 million per year in debt and/or equity to fund its business. Since the company is committed to its investment-grade credit rating, it will have to monitor its debt levels closely and will likely issue equity in the 2018-2019 time frame as the debt-to-capital ratio rises above 65%. Additionally, the company has a debt covenant in place to not exceed 70% debt to capital.

Dividend Outlook

NiSource's target payout ratio is 60% to 70%. We believe its payout ratio will initially be 61% based on our 2015 earnings per share estimate. We believe NiSource will grow its dividend at or above earnings per share growth over the next five years to keep its payout ratio within its target range. We expect 6% long-term dividend growth.

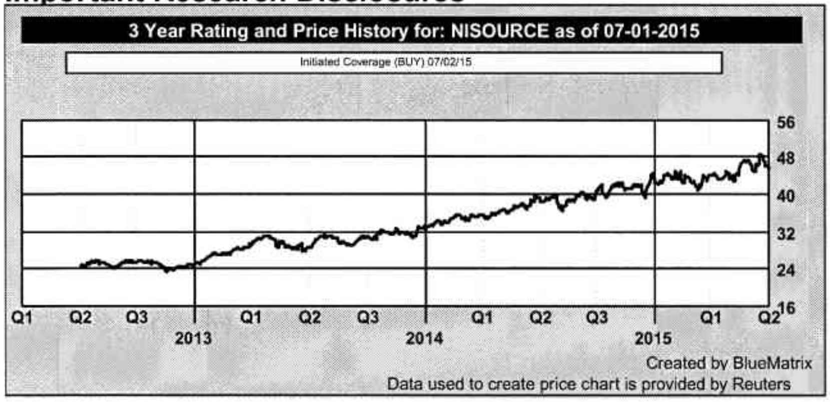
RECENT STOCK PERFORMANCE

Annualized Total Returns	1Yr	3Yrs	5Yrs
NISOURCE	29%	30%	31%
S&P 500 Utilities	2%	10%	12%
S&P 500 Index	10%	19%	17%

Price ending Jun 22, 2015
Source: FactSet. These are unmanaged indexes and cannot be invested in directly. Past performance does not assure future results.

NiSource spun off its midstream business on July 1, 2015, and is a different company now. The company has performed well over every time period due to its growing midstream business (that it no longer owns) and constructive regulatory relations.

Important Research Disclosures



July 2, 2015	BUY	HOLD	SELL
Stocks	47%	49%	4%
Investment Banking Services	4%	4%	8%

The table lists the percent of stocks we follow globally in each of our rating categories. Investment banking services indicate the percentage of those companies that have been investment banking clients within the past 12 months.

Analyst Certification

I certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers; and no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report. Andy Smith, CFA

Buy (B)	Hold (H)	Sell (S)	FYI (FI)
Buy - Our opinion is to Buy this stock. We believe the valuation is attractive and total return potential is above average.	Hold - Our opinion is to keep this stock. We believe the stock is fairly valued and total return potential is about average. Or a special situation exists, such as a merger, that warrants no action.	Sell - Our opinion is to Sell this stock. We believe the stock is overvalued and total return potential is below average. In some cases we expect fundamentals to deteriorate considerably and/or a recovery is highly uncertain.	FYI - For Informational purposes only; factual, no opinion.

Important Disclosures

- Initiated Coverage (BUY) 07/02/15

Important Disclaimers

- It is the policy of Edward Jones that analysts or their associates are not permitted to have an ownership position in the companies they follow directly or through derivatives.
- Analysts receive compensation that is derived from revenues of the firm as a whole which include, but are not limited to, investment banking revenue.
- Information about research distribution is available through the Investments and Services link on www.edwardjones.com
- For Canadian clients only: Member - Canadian Investor Protection Fund
- For U.S. clients only: Member SIPC
- In general, Edward Jones analysts do not view the material operations of the issuer.
- Holders of shares of companies domiciled outside the country of residence of the holder are generally subject to a withholding tax on dividends paid by that company. Subject to certain conditions and limitations, these holders may be entitled to a partial refund of the withholding tax or the withholding taxes may be treated as foreign taxes eligible for a deduction or credit against the holder's tax liability. Holders should consult their own tax advisors regarding ownership of shares and the procedures for claiming a deduction, tax credit or a refund of the withholding tax. When investing in companies incorporated outside your own country of residence, an investor should consider all other material risks including currency risk, political risk, liquidity risk and accounting rules differences, which can adversely affect the value of your investment. Please consult your financial advisor for more information.
- Debt ratings should not be considered an indication of future performance.
- Suitability: Growth & Income (G/I) – These stocks provide dividend income and price appreciation potential with historically below-average stock price fluctuation. The current dividend yield is near or above the market average; Growth (G) – These stocks typically exhibit historic stock price fluctuation that is near the market average. Capital appreciation potential tends to be a greater source of expected total return as current dividend income is usually near or less than the market average or no dividend is paid; Aggressive (A) – These stocks carry a higher level of risk with higher historic price fluctuation. These stocks may or may not pay a dividend and capital appreciation potential tends to be a greater source of potential total return.
- All the proper permissions were sought and granted in order to use any and all copyrighted materials/sources referenced in this document.
- Dividend Outlook (1-Year): Rising – We believe the dividend is likely to increase based on historical trends, the current payout ratio, and/or expected future earnings and cash flow; Stable – We believe the dividend is stable at the current level and is unlikely to increase or decrease; At Risk – We believe the dividend is at risk of being reduced or eliminated; No Dividend – This company does not pay a dividend.
- The Edward Jones' Research Rating referenced does not take into account your particular investment profile and is not intended as an express recommendation to purchase, hold or sell particular securities, financial instruments or strategies. You should contact your Edward Jones Financial Advisor before acting upon the Edward Jones Research Rating referenced.
- **Opinions used from June 13, 2003 - July 2, 2012: BUY (B)** - Our opinion is to Buy this stock. We believe its fundamentals and/or valuation are compelling. **HOLD (H)** - Our opinion is to keep this stock. We believe the fundamentals and/or valuation are stable. Or a special situation exists, such as a merger, that warrants no action. **SELL (S)** - Our opinion is to Sell this stock. We believe the fundamentals are deteriorating considerably and/or a recovery is highly uncertain. Or we believe the stock is significantly overvalued. **FYI** - For your information; factual, no opinion.
- Dividends can be increased, decreased or totally eliminated at any point without notice.
- This opinion is based on information believed reliable but not guaranteed. The foregoing is for INFORMATION ONLY. Additional information is available on request. Past performance is no guarantee of future results.
- Our long-term earnings growth estimate is our expectation for growth over the course of a full economic cycle. This "normalized" figure avoids distortions which can occur if beginning- or ending-year results are impacted by one-time items or extreme peaks or troughs within the cycle.
- The S&P 500 Index is based on the average performance of 500 widely held common stocks. The S&P 500 Sector Indexes are subsets of the S&P 500 Index. These are unmanaged indexes and cannot be invested in directly. Past performance does not assure future results.

INDUSTRY NOTE

Estimate Change

USA | Energy | Master Limited Partnerships

March 13, 2015

Jefferies

EQUITY RESEARCH AMERICAS

Master Limited Partnerships
NI & CPPL: 4Q Model Updates

Key Takeaway

We have scrubbed our NI & CPPL models to reflect 4Q results, 10-K details, conference call takeaways, and revised mgmt commentary. While 4Q performance fell just shy of our forecasts, we expect investors to focus on MLP distribution growth, the spin-out of CPGX, project execution, and asset ramp-ups through the remainder of 2015. We maintain our respective Buy and Hold ratings on CPPL & NI with no change to our $33 & $43 price targets.

Columbia Pipeline Group. CPG's $120mm 4Q operating income (excl. asset sale gains) fell short of our $144.5mm expectation, driven primarily by lower top-line growth; we note that asset sale gains, if included, would have added $0.07 to full-year 2014 EPS. Mgmt noted an expectation to begin recovery on Feb. 1st of approximately ~$320mm in costs associated with its second year of investments under the LT CGT modernization program. It also highlighted it is engaged in 'advanced commercial discussions' regarding its Mountaineer and Gulf XPress projects and expects to provide additional information in 1H15.

CPPL & separation plans. NI completed the IPO of its midstream MLP, Columbia Pipeline Partners (CPPL) on Feb. 6th and announced with earnings it remains on-track for a mid-2015 separation of CPG. The expected tax-free transaction will create Columbia Pipeline Group Inc. (CPGX), a natural gas focused midstream company, and leave NiSource as a fully regulated natural gas & electric distribution company. We recently launched coverage of CPPL (Say Hello to My Little Friend: Initiate at Buy) and offered revised views of the proforma NI & CPGX entities (They're All About that [Rate] Base).

Pro-forma CPGX. With the pro-forma CPGX to make its public debut sometime this summer (estimated July 1st) we have made a preliminary attempt at valuation and distribution assumptions for the standalone GP. We presently forecast a 2016 annual dividend of $0.53/share from CPGX which assumes a ~1.00x DCF coverage ratio and a ~17% y/y growth rate from pro-forma annualized 2015 dividends. With an estimated ~17% dividend CAGR through 2018 and a target yield of 2.75%, we project an average 12-month forward value for CPGX of ~$23 per share.

Gas Distribution. The gas utilities posted 4Q operating income of ~$174mm, in-line with our ~$173mm estimate & ahead of 4Q13's $162mm, due primarily to tracked investments & modernization efforts completed during the year. On Nov. 12th, the PA PUC approved a settlement in NI's base rate case which will increase annual revenues by ~$33mm under new rates which took effect in Dec. In VA, NI is awaiting approval on a settlement by the VSCC that would increase base rates by ~$25mm; the original settlement was reached in Dec.

Some guidance. As expected, mgmt did not initiate 2015 financial guidance with 4Q results due to the pending CPGX spin; however, it reiterated its 4-6% LT EPS & DPS growth guidance for NiSource and offered a 'mid-to-upper teens' LT EBITDA and dividend growth forecast for CPGX. Pro-forma 2015 NI capital investments are expected to reach ~$1.3B and are estimated at $1.1B for CPGX. We look forward to future presentations and management commentary regarding CPGX's initial dividend policy (i.e. its 2015 starting point) & see Columbia OpCo payout target, independent corp. costs, cash tax rates, and leverage limits as principal variables.

Christopher Sighinolfi, CFA *
Equity Analyst
(212) 707-6420 csighino@jefferies.com
Christopher Tillett *
Equity Associate
(212) 284-4697 ctillett@jefferies.com
Corey Goldman *
Equity Associate
(212) 284-3411 cgoldma1@jefferies.com
* Jefferies LLC

Company Name	Ticker	Mkt. Cap (MM)	Rating	Price	Price Target	Cons. Next FY	Current EPS Estimates 2014	2015	2016	Previous Est. 2015	2016
Columbia Pipeline Partners	CPPL	$2,661.9	BUY	$26.46	$33.00	--	--	$0.75	$0.93	$0.82	$0.99
NiSource Inc.	NI	$13,299.4	HOLD	$42.06	$43.00	--	$1.65	$1.76	$1.83	$1.75	$1.84

Energy

Estimate Change

March 13, 2015

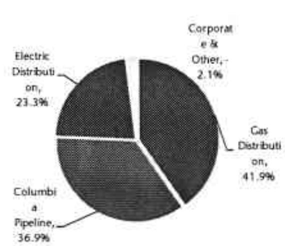
Exhibit 1: NI Valuation Analysis

Jefferies

NiSource (NI)

Sum-of-the-Parts Valuation			
NiSource (NI) Pro-Forma			
P/E Build Up	**2016 EPS**	**Multiple**	**EV/Share**
	$1.05	18.3x	$19.20
Target Yield Build Up	**2016 DPS**	**Yield**	**EV/Share**
	$0.68	3.25%	$21.00
Columbia Pipeline Group (CPGX)			
Dividend Discount Model	**EV/Share**		
	$27.40		
Target Yield Build Up	**1Q16 DPS**	**Yield**	**EV/Share**
	$0.48	2.75%	$17.50
Consolidated NiSource Today			
NiSource Pro-Forma	$20.00		
CPGX	$22.50		
Average Price Target	**$43.00**		

2014E EBIT Composition



CPGX DCF Calaculation	2015E	2016E	2017E	2018E	2019E
DCF of Columbia OpCo LP Interests	$418.0	$432.2	$440.7	$571.4	$699.3
Cash from Columbia OpCo LP Interests	$271.7	$302.6	$319.5	$457.1	$664.4
LP Interest in Columbia OpCo	*84.4%*	*79.7%*	*69.7%*	*59.7%*	*53.7%*
Payout Ratio on OpCo LP DCF	*65.0%*	*70.0%*	*72.5%*	*80.0%*	*95.0%*
LP Distributions from CPPL Interests	$34.5	$45.6	$55.6	$68.2	$83.0
GP Distributions from IDRs	$0.0	$2.3	$17.8	$64.2	$129.9
Total Cash Receipts	**$306.3**	**$350.5**	**$392.9**	**$589.5**	**$877.3**
CPGX Corp. Costs	($10.0)	($10.0)	($10.0)	($10.0)	($10.0)
Interest on $3.0B in COLP Debt (assume 5%)	($150.0)	($150.0)	($150.0)	($150.0)	($150.0)
Total Pre-tax Cash Flow	**$146.3**	**$190.5**	**$232.9**	**$429.5**	**$717.3**
Cash Tax Rate (Blended assumption)	0.6%	12.4%	17.9%	22.6%	25.0%
Cash Taxes	($0.9)	($23.6)	($41.8)	($97.1)	($179.1)
CPGX DCF	**$145.4**	**$166.8**	**$191.1**	**$332.4**	**$538.2**
Excess COLP DCF Coverage	1.02x	1.00x	1.00x	1.47x	1.14x
CPGX Dividend Assumption	$142.5	$166.2	$190.9	$226.2	$473.1
CPGX Shares (assume 1:1 distribuiton @ time of spi	316.4	316.4	316.4	316.4	316.4
CPGX Dividend / Share	**$0.45**	**$0.53**	**$0.60**	**$0.71**	**$1.50**
Dividend CAGR (from 2015)		17%	16%	17%	**35.0%**

Total Return Expectation	
Current NI Share Price	$41.22
Appreciation to PT	4.3%
12-month Dividend Yield	2.7%
Total Return	**7.0%**

CPGX Dividend Discount Model	2015E	2016E	2017E	2018E	2019E
Distributable Cash Flow	$145.4	$166.8	$191.1	$332.4	$538.2
Aggregate Dividends Paid	$142.5	$166.2	$190.9	$226.2	$473.1
Implied DCF Coverage	1.02x	1.00x	1.00x	1.47x	1.14x
Dividend Per Share	$0.45	$0.53	$0.60	$0.71	$1.50
Terminal Value					$32
PV of Paid Dividends	$0.43	$0.47	$0.50	$0.55	$1.08
Sum of PV of Paid Distributions	$3.03				
PV of terminal value	$23.08				
Equity value per unit	$26.12				
12-Month Price Target	**$27.40**				

Avg Price Target	$22.50

Dividend Assumptions	
Projected 2015-2019 CAGR	35.0%
Forecast 12-month Yield	2.1%
Steady state coverage ratio	1.20x
Terminal growth rate	4.0%

Target Yield Analysis	
Projected 1Q16 Distribuiton	$0.120
Historical Average Yield	NA
Taget Yield	2.75%
Implied Price Target	**$17.50**

Cost of Equity Assumptions	
Beta	0.80
Risk Free Rate	3.0%
Risk Premium	5.0%
Cost of Equity	7.0%

CPGX Total Return Expectation	
Current NI Share Price	$41.22
Value Ascribed to Utilities	$20.00
Implied Value of CPGX	$21.22
Appreciation to PT	6.0%
12-month Dividend Yield	2.1%
Total Return	**8.2%**

Terminal Cost of Equity	
Beta	0.87
Risk Free Rate	4.5%
Risk Premium	5.0%
Cost of Equity	8.8%

Source: Company reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Estimate Change

March 13, 2015

Exhibit 2: NI - Consolidated Statement of Income

Consolidated Income Statement	2010	2011	2012	2013	1Q	2Q	3Q	4Q	2014	2015E	2016E	2017E	2018E	2019E
Revenues	$5,817.9	$5,795.7	$5,099.9	$5,659.3	$2,294.1	$1,335.0	$1,137.3	$1,689.9	$6,456.3	$6,808.0	$7,104.1	$7,442.8	$8,061.2	$8,626.1
(Cost of Sales)	($2,379.2)	($2,334.1)	($1,525.2)	($1,815.5)	($1,061.3)	($371.7)	($230.4)	($560.8)	($2,224.2)	($2,337.9)	($2,422.4)	($2,509.2)	($2,601.6)	($2,682.4)
Net Revenue	$3,438.7	$3,461.6	$3,574.7	$3,843.8	$1,232.8	$963.3	$906.9	$1,129.1	$4,232.1	$4,470.1	$4,681.7	$4,933.6	$5,459.5	$5,943.7
(Operating & Maintenance Expenses)	($1,655.7)	($1,688.1)	($1,674.6)	($1,873.9)	($501.2)	($533.1)	($520.6)	($562.2)	($2,117.1)	($2,187.3)	($2,248.1)	($2,306.6)	($2,363.8)	($2,425.2)
(Depreciation & Amortization)	($596.3)	($542.8)	($563.9)	($577.3)	($148.7)	($149.1)	($153.0)	($154.7)	($605.5)	($634.2)	($665.1)	($722.3)	($790.5)	($822.7)
(Other Taxes)	($284.4)	($293.3)	($287.8)	($300.6)	($101.1)	($73.4)	($68.0)	($77.8)	($320.3)	($342.6)	($352.0)	($369.7)	($401.4)	($430.5)
(Gain on Sale of Assets)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
OPERATING INCOME BY DIVISION														
Gas Distribution	$342.9	$438.7	$450.2	$448.8	$280.1	$62.5	$1.0	$173.8	$517.4	$568.2	$598.2	$628.5	$658.7	$674.3
Columbia Pipeline	$377.2	$360.4	$397.8	$422.8	$141.4	$103.4	$91.4	$120.0	$456.2	$524.9	$603.3	$678.7	$994.0	$1,308.6
Electric Operations	$218.3	$195.1	$237.6	$265.3	$74.2	$59.8	$90.2	$63.5	$287.7	$292.8	$309.1	$329.5	$356.4	$387.7
Corporate & Eliminations	($21.2)	($42.2)	($5.0)	($9.0)	($4.1)	($6.9)	($5.3)	($9.2)	($25.5)	($18.4)	($22.6)	($21.1)	($22.4)	($22.3)
Total Recurring Operating Income	**$902.3**	**$952.0**	**$1,080.6**	**$1,127.9**	**$491.6**	**$218.8**	**$177.3**	**$348.1**	**$1,235.8**	**$1,367.5**	**$1,488.0**	**$1,615.7**	**$1,986.7**	**$2,348.3**
Other Income / (Loss)	$3.8	($7.3)	$2.4	$24.2	$4.5	$7.5	$9.2	$1.1	$22.3	$21.3	$20.8	$20.6	$20.6	$20.6
Interest Expense - Net	($392.2)	($376.8)	($418.3)	($414.8)	($109.1)	($109.1)	($109.6)	($115.8)	($443.6)	($473.3)	($528.2)	($590.3)	($653.3)	($669.5)
Minority Interest (CPPL Public LP Units)										($35.1)	($57.9)	($104.4)	($211.2)	($315.5)
Pretax Income	$513.9	$567.9	$664.7	$737.3	$387.0	$117.2	$76.9	$233.4	$814.5	$880.3	$922.7	$941.6	$1,142.8	$1,383.8
(Provision)/Benefit for Income Taxes	($189.7)	($196.2)	($231.8)	($254.8)	($139.3)	($39.4)	($33.2)	($81.61)	($293.5)	($319.1)	($336.8)	($343.7)	($417.1)	($505.1)
Effective Tax Rate	*36.9%*	*34.6%*	*34.9%*	*34.6%*	*36.0%*	*33.6%*	*43.2%*	*35.0%*	*36.0%*	*36.3%*	*36.5%*	*36.5%*	*36.5%*	*36.5%*
Net Income (from Continuing Operations)	$324.2	$371.7	$432.9	$482.5	$247.7	$77.8	$43.7	$151.8	$521.0	$561.2	$585.9	$597.9	$725.7	$878.7
Recurring Diluted EPS	**$1.16**	**$1.29**	**$1.44**	**$1.54**	$0.79	$0.25	$0.14	$0.48	**$1.65**	**$1.76**	**$1.83**	**$1.86**	**$2.25**	**$2.72**
Average # of diluted shares outstanding	280.1	288.5	300.4	313.6	315.1	316.1	316.6	317.5	316.3	318.2	319.5	320.8	322.2	323.5
Average # of basic shares outstanding	277.8	280.4	291.9	312.4	314.2	315.0	315.4	315.8	315.1	316.5	317.8	319.1	320.5	321.8
Dividends per Share	**$0.92**	**$0.92**	**$0.94**	**$0.98**	$0.250	$0.250	$0.260	$0.260	**$1.02**	**$1.08**	**$1.31**	**$1.42**	**$1.58**	**$2.43**
Payout Ratio	**79%**	**71%**	**65%**	**64%**	32%	102%	188%	54%	**62%**	**61%**	**71%**	**76%**	**70%**	**89%**

	2010	2011	2012	2013	1Q	2Q	3Q	4Q	2014	2015E	2016E	2017E	2018E	2019E
GAAP Revenue	$5,826.8	$5,797.5	$5,067.3	$5,657.6	$2,320.5	$1,335.1	$1,123.8	$1,691.2	$6,470.6					
GAAP Operating Expense	($2,539.6)	($2,565.2)	($2,526.2)	($2,754.9)	($751.0)	($755.6)	($750.5)	($805.0)	($3,062.1)					
Non-GAAP Asset Sale Adjustments	($1.1)	($1.5)	$0.1	$18.7	$17.5	$0.6	$3.0	$13.7	$34.8					
GAAP Asset Sale Adjustments	($0.8)	($15.5)	$3.5	$0.3	($1.8)	$0.1	($0.1)	($1.5)	($3.3)					
Total Asset Sale Adjustments	($1.9)	($17.0)	$3.6	$19.0	$15.7	$0.7	$2.9	$12.2	$31.5					
GAAP Operating Margin	$3,447.6	$3,463.4	$3,542.1	$3,842.1	$1,259.2	$963.4	$893.4	$1,130.4	$4,246.4					
Equity Earnings from Unconsolidated Affiliates	$14.9	$14.6	$32.2	$35.9	$9.8	$11.1	$12.0	$13.7	$46.6					
GAAP Op Income	$906.1	$827.1	$1,051.7	$1,142.1	$533.7	$219.6	$157.8	$351.3	$1,262.4					
Tax Effects & Other Adjusting Items	$47.8	$36.3	($2.8)	$0.3	($23.4)	($0.1)	$8.5	$4.1	($10.9)					
GAAP Net Income	$279.1	$283.1	$401.2	$497.0	$266.4	$78.5	$32.7	$159.1	$536.7					
GAAP Basic EPS from Continuing Ops	$1.01	$1.01	$1.37	$1.59	$0.85	$0.25	$0.10	$0.50	$1.70					

Source: Company reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 3: NI - Consolidated Balance Sheet

Consolidated Balance Sheet ($MM)	2010	2011	2012	2013	1Q	2Q	3Q	4Q	2014	1QE	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E
Cash & equivalents	9	12	36	27	38	18	18	25	25	25	22	23	27	27	26	27	29	30
Accounts receivable	1,079	855	907	1,006	1,271	824	639	1,070	1,070	1,323	855	730	1,167	1,167	1,262	1,325	1,436	1,536
Inventory	428	566	496	500	226	469	668	583	583	248	499	664	603	603	596	619	641	661
Other current assets	932	816	913	626	785	743	687	788	788	788	788	788	788	788	788	788	788	788
Total current assets	**2,449**	**2,248**	**2,352**	**2,159**	**2,320**	**2,055**	**2,012**	**2,467**	**2,467**	**2,383**	**2,164**	**2,205**	**2,585**	**2,585**	**2,672**	**2,759**	**2,894**	**3,015**
Tangible fixed assets	**11,097**	**11,800**	**12,916**	**14,365**	**14,658**	**15,089**	**15,587**	**16,017**	**16,017**	**16,295**	**16,655**	**17,117**	**17,626**	**17,626**	**19,238**	**22,287**	**25,227**	**26,065**
Goodwill	3,677	3,677	3,677	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666
Other intangible fixed assets	476	460	381	363	273	270	267	265	265	265	265	265	265	265	265	265	265	265
Investment in affiliates	201	205	243	374	407	437	444	453	453	484	507	516	522	522	591	660	729	799
Other investments	2,038	2,318	2,275	1,727	1,783	1,741	1,735	1,999	1,999	1,999	1,999	1,999	1,999	1,999	1,999	1,999	1,999	1,999
Non-Current Assets	**6,393**	**6,660**	**6,576**	**6,130**	**6,130**	**6,115**	**6,112**	**6,383**	**6,383**	**6,414**	**6,438**	**6,447**	**6,452**	**6,452**	**6,521**	**6,590**	**6,660**	**6,729**
Total assets	**19,939**	**20,708**	**21,845**	**22,654**	**23,107**	**23,258**	**23,710**	**24,866**	**24,866**	**25,092**	**25,257**	**25,769**	**26,662**	**26,662**	**28,431**	**31,637**	**34,780**	**35,809**
Trade payables and other ST liabilities	2,233	1,960	2,018	1,938	1,998	1,800	1,719	2,111	2,111	2,044	1,908	1,820	2,221	2,221	2,316	2,406	2,530	2,646
Short term debt	1,417	1,687	1,284	1,241	1,343	1,631	1,330	1,844	1,844	1,753	1,705	1,810	1,868	1,868	1,913	2,154	2,265	2,265
Total current liabilities	**3,649**	**3,646**	**3,302**	**3,178**	**3,341**	**3,431**	**3,049**	**3,955**	**3,955**	**3,798**	**3,613**	**3,630**	**4,089**	**4,089**	**4,230**	**4,560**	**4,796**	**4,910**
Long term debt	5,936	6,267	6,819	7,593	7,639	7,641	8,397	8,156	8,156	7,758	7,543	8,007	8,264	8,264	8,464	9,531	10,022	10,019
Debt deemed provisions (e.g. pensions)	1,178	1,100	1,268	702	685	644	601	676	676	676	676	676	676	676	676	676	676	676
Deferred taxes (Revenue)	2,312	2,650	3,062	3,408	3,534	3,615	3,541	3,662	3,662	3,780	3,821	3,852	3,937	3,937	4,186	4,421	4,684	4,975
Other long term liabilities	1,939	2,048	1,840	1,886	1,897	1,898	2,115	2,243	2,243	2,230	2,237	2,250	2,247	2,247	2,262	2,271	2,283	2,294
Total liabilities	**15,016**	**15,711**	**16,290**	**16,767**	**17,095**	**17,230**	**17,703**	**18,691**	**18,691**	**18,240**	**17,890**	**18,415**	**19,213**	**19,213**	**19,818**	**21,460**	**22,461**	**22,874**
Common equity	4,923	4,997	5,554	5,887	6,012	6,028	6,007	6,175	6,175	6,852	7,367	7,354	7,450	7,450	8,613	10,176	12,319	12,935
Preferred equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' Equity	**4,923**	**4,997**	**5,554**	**5,887**	**6,012**	**6,028**	**6,007**	**6,175**	**6,175**	**6,852**	**7,367**	**7,354**	**7,450**	**7,450**	**8,613**	**10,176**	**12,319**	**12,935**
Total liabilities and equity	**19,939**	**20,708**	**21,845**	**22,654**	**23,107**	**23,258**	**23,710**	**24,866**	**24,866**	**25,092**	**25,257**	**25,769**	**26,662**	**26,662**	**28,431**	**31,637**	**34,780**	**35,809**
Check	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Balance Sheet Assumptions	2010	2011	2012	2013	1Q	2Q	3Q	4Q	2014	1QE	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E
Accounts receivable (as % of EBIT)	119%	90%	84%	87%	256%	364%	343%	306%	85%	261%	334%	326%	290%	84%	84%	81%	72%	65%
Inventory (as % of operating expenses)	26%	34%	30%	27%	45%	88%	128%	104%	28%	48%	90%	123%	105%	28%	26%	27%	27%	27%
Trade payable & other S.T. liabilities (as % of opg. Exp.)	135%	116%	120%	103%	399%	338%	330%	376%	100%	392%	346%	338%	386%	102%	103%	104%	107%	109%
Working Capital	207.0	277.0	299	195	284.3	236.2	275.2	329.7	330	314.5	233.8	362.2	337.2	337	329	326	335	340
Changes in Working Capital	**(419.8)**	**(262.2)**	**(30.3)**	**55.3**	(166.8)	(13.4)	(6.3)	47.0	**(139.5)**	15.2	80.7	(128.4)	25.0	**(7.5)**	**8.4**	**2.8**	**(8.7)**	**(5.2)**
Average Collection Period	**68**	**54**	**65**	**65**	50	56	52	58	**60**	50	55	55	60	**63**	**65**	**65**	**65**	**65**
Inventory Days	**66**	**89**	**119**	**101**	19	115	267	96	**96**	20	115	250	95	**94**	**90**	**90**	**90**	**90**
Average Payable Period	**343**	**306**	**484**	**390**	169	441	686	346	**346**	165	440	685	350	**347**	**350**	**350**	**355**	**360**

Source: Company reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 4: NI - Consolidated Statement Cash Flows

Consolidated Statement of Cash Flows ($MM)	2010	2011	2012	2013	1Q	2Q	3Q	4Q	2014	1QE	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E
Operating activities																		
Net income	292	299	416	532	266	78	31	154	530	241	85	63	172	561	586	598	726	879
Depreciation, amortization & decommissioning	596	538	562	577	149	149	153	155	606	155	156	160	163	634	665	722	791	823
Deferred taxes	200	178	305	287	149	38	34	78	299	118	41	31	84	275	249	235	263	291
Net change in working capital	(420)	(262)	(30)	55	(167)	(13)	(6)	47	(140)	15	81	(128)	25	(7)	8	3	(9)	(5)
Other, including changes in provisions and other liabilities	51	117	23	(15)	(3)	5	23	(1)	25	(13)	8	13	(3)	5	15	10	12	11
Cash from operating activities	**720**	**870**	**1,276**	**1,437**	**394**	**257**	**236**	**433**	**1,320**	**517**	**370**	**139**	**441**	**1,468**	**1,523**	**1,568**	**1,782**	**1,998**
Investing activities																		
Capital expenditure - tangible fixed assets	(804)	(1,125)	(1,499)	(1,880)	(386)	(467)	(589)	(587)	(2,029)	(434)	(516)	(622)	(671)	(2,243)	(2,278)	(3,771)	(3,731)	(1,661)
Investment in affiliates	0	0	(20)	(125)	(31)	(24)	(9)	(5)	(69)	(31)	(24)	(9)	(5)	(69)	(69)	(69)	(69)	(69)
Net disposals/(acquisitions)	1	9	26	18	0	6	1	5	13	0	0	0	0	0	0	0	0	0
Other investment	(140)	(34)	68	96	9	(6)	(18)	(17)	(32)	0	0	0	0	0	0	0	0	0
Cash from investing activities	**(943)**	**(1,149)**	**(1,425)**	**(1,891)**	**(408)**	**(490)**	**(615)**	**(604)**	**(2,117)**	**(465)**	**(540)**	**(631)**	**(676)**	**(2,312)**	**(2,347)**	**(3,840)**	**(3,800)**	**(1,730)**
Financing activities																		
Inc./(dec.) in short term debt	1,280	(23)	(582)	(78)	114	289	210	266	878	(90)	(49)	105	58	24	45	241	111	(1)
Inc./(dec.) in long term debt	(728)	603	660	797	(9)	(4)	245	(4)	227	(398)	(215)	464	257	108	201	1,067	491	(3)
Inc./(dec.) in equity	13	24	374	44	(1)	7	6	8	20	518	513	13	13	1,055	992	1,419	1,925	518
Common stock dividends paid	(256)	(258)	(273)	(306)	(79)	(79)	(82)	(82)	(321)	(82)	(82)	(89)	(89)	(342)	(415)	(454)	(508)	(780)
Other cash from financing	(93)	(65)	(3)	(11)	0	0	0	(9)	(9)	0	0	0	0	0	0	0	0	0
Inc./(dec.) in preffered equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash from financing activities	**216**	**281**	**175**	**445**	**25**	**213**	**379**	**179**	**795.6**	**(53)**	**167**	**493**	**239**	**846**	**824**	**2,273**	**2,019**	**(266)**
Cash flow increase/(decrease) in cash	(7)	2	25	(9)	11	(20)	(0)	8	(1)	(1)	(2)	0	4	1	(0)	1	1	1
Non-cash movements in cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Forex Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net change in cash	**(7)**	**2**	**25**	**(9)**	11	(20)	(0)	8	**(1)**	(1)	(2)	0	4	**1**	**(0)**	**1**	**1**	**1**
Cash at the beginning of the year	**16**	**9**	**11**	**36**	27	38	18	18	**27**	25	25	22	23	**25**	**27**	**26**	**27**	**29**
Cash at the end of the year	**9**	**11**	**36**	**27**	38	18	18	25	**25**	25	22	23	27	**27**	**26**	**27**	**29**	**30**
Cash paid for income taxes	**69**	**9**	**8**	**8**	7	3	3	7	**19**	19	7	5	14	**44**	**88**	**108**	**154**	**214**
Cash Interest paid, net of amount capitalized	**393**	**369**	**387**	**387**	168	40	167	54	**429**	194	48	182	43	**468**	**472**	**485**	**545**	**545**
Accounting Free Cash Flow (CFO-CAPEX-Dividend)	(339)	(513)	(497)	(749)	(71)	(288)	(435)	(236)	(1030)	1	(228)	(572)	(318)	(1117)	(1169)	(2657)	(2456)	(444)
Free Cash Flow (NI+D&A-WC-CAPEX-DIV)	249	(284)	(764)	(1132)	117	(305)	(480)	(407)	(1075)	(134)	(438)	(359)	(450)	(1382)	(1450)	(2907)	(2714)	(735)

Source: Company reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 5: CPPL - Valuation Analysis

Jefferies

Columbia Pipeline Partners (CPPL)

Distribution Discount Model	2015E	2016E	2017E	2018E	2019E
Available distributable cash flow per unit	$0.70	$0.87	$1.12	$1.64	$2.01
Actual paid distribution per unit	$0.64	$0.85	$1.04	$1.27	$1.55
LP Coverage ratio	1.08x	1.02x	1.08x	1.29x	1.30x
Total Coverage ratio	1.08x	1.02x	1.07x	1.23x	1.22x
Actual paid distribution growth		32.0%	22.1%	22.7%	21.6%
Terminal value of paid distribution					$37
PV of paid distributions per unit	$0.61	$0.75	$0.86	$1.00	$1.14
Sum of PV of paid distributions per unit	$4.37				
PV of terminal value	$27.43				
Equity value per unit	$31.79				

12-Month Price Target	**$33.00**
Average Price Target	**$33.00**

Distribution Assumptions	
Historical CAGR since IPO	
Projected MQD-4Q19 CAGR	21.0%
Forecast 12-month Yield	2.4%
Steady state coverage ratio	1.30x
Terminal growth rate	4.0%

Cost of Equity Assumptions	
Beta	0.65
Risk Free Rate	3.0%
Risk Premium	5.0%
Cost of Equity	6.25%
Implied Cost of Equity	2.40%

Terminal Cost of Equity	
Beta	0.77
Risk Free Rate	4.5%
Risk Premium	5.0%
Cost of Equity	8.3%

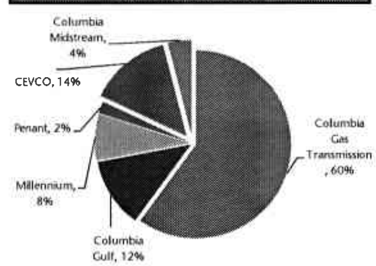
Capital Structure & WACC Calculation	
Current Stock Price	$26.87
Current Marketcap	$2,704
Cost of Equity	6.25%
Total Net Debt	$1,836
Cost of New Debt	6.0%
Tax Rate	0%
% Equity	60%
% Debt	40%
WACC	6.1%

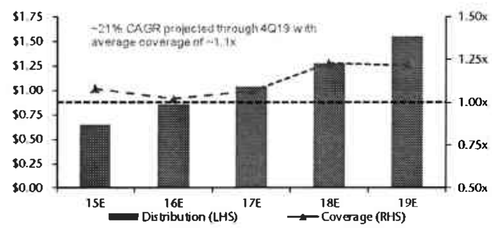
Target Yield Analysis	
Projected 1Q16 Distribuiton	$0.20
Historical Average Yield	NA
Taget Yield	2.35%
Implied Price Target	**$33.60**

Total Return Expectation	
Appreciation to Price Target	22.8%
12-month Distribution Yield	2.4%
Total Return	**25.2%**

NI Interests in CPPL	Current		2015E	2016E	2017E	2018E	2019E
LP units owned by NI	53.6	53.8%	53.4%	46.3%	35.5%	27.1%	23.4%
GP units owned by NI		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Interest	53.6	53.8%	53.4%	46.3%	35.5%	27.1%	23.4%

2015E DCF Contribution





Multiples		
Metric	**2015E**	**2016E**
P/E	35.8x	29.0x
P/DCF	38.6x	31.0x
EV/EBITDA	28.9x	22.9x

Jefferies vs. Guidance Expectations		
Metric	**NI**	**JEF**
NTM EBITDA		
Growth Capital		
Maintenance Capital		
DCF		

Year	Distribution (LHS)	Coverage (RHS)
MQD	$0.67	
15E	$0.64	1.08x
16E	$0.85	1.02x
17E	$1.04	1.07x
18E	$1.27	1.23x
19E	$1.55	1.22x

2015E DCF	
Columbia Gas Transmission	60%
Columbia Gulf	12%
Millennium	8%
Penant	2%
CEVCO	14%
Columbia Midstream	4%

Source: Company reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Estimate Change

March 13, 2015

Exhibit 6: CPPL - Consolidated Statement of Income

Consolidated Income Statement ($MM)	2011	2012	2013	1Q	2Q	3Q	4Q	2014	1QE	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E
Operating Revenues:																	
Transportation Revenue	$776.6	$721.8	$774.7	$222.3	$181.5	$194.0	$239.3	$837.1									
Storage Revenue	$196.0	$196.8	$196.4	$50.0	$49.3	$49.1	$48.9	$197.3									
Other Revenues	$33.1	$82.9	$208.7	$73.3	$112.7	$74.5	$52.3	$312.8									
Total Operating Revenue	$1,005.7	$1,001.5	$1,179.4	$345.6	$343.5	$317.6	$340.4	**$1,346.9**	$338.4	$367.4	$354.9	$388.2	**$1,448.9**	**$1,556.0**	**$1,698.2**	**$2,105.2**	**$2,480.4**
Operating Expenses																	
Cost of Gas Sold	$0.0	($1.1)	$0.0	($0.1)	($0.1)	$0.0	$0.0	**$0.0**	($0.1)	($0.1)	($0.1)	($0.1)	**($0.3)**	**($0.3)**	**($0.4)**	**($0.5)**	**($0.6)**
Gross Margin	**$1,005.7**	**$1,000.4**	**$1,179.4**	$345.5	$343.4	$317.6	$340.4	**$1,346.9**	$338.3	$367.3	$354.8	$388.1	**$1,448.5**	**$1,555.7**	**$1,697.8**	**$2,104.8**	**$2,479.9**
Operation & Maintenance	($473.3)	($476.3)	($625.2)	($165.7)	($205.1)	($194.4)	($186.9)	($753.6)	($172.4)	($212.0)	($199.6)	($191.6)	($775.6)	($786.7)	($805.2)	($817.4)	($833.8)
Depreciation & Amortization	($130.0)	($99.3)	($106.9)	($29.7)	($28.8)	($29.2)	($30.9)	($118.6)	(31.7)	(32.4)	(34.3)	(36.6)	($135.0)	($158.2)	($207.2)	($267.1)	($290.9)
Other Taxes	($56.6)	($59.2)	($62.2)	($18.5)	($17.2)	($14.6)	($16.8)	($67.1)	(17.7)	(19.4)	(16.9)	(20.5)	($74.5)	($79.0)	($87.4)	($109.2)	($129.5)
Gain on Sale of Assets	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Equity Earnings from Unconsolidated Affiliates	$14.6	$32.2	$35.9	$9.8	$11.1	$12.0	$13.7	$46.6	$16.3	$16.3	$14.7	$14.2	$61.5	$71.5	$80.7	$82.9	$83.0
Operating Expenses	**($645.3)**	**($602.6)**	**($758.4)**	($204.1)	($240.0)	($226.2)	($220.9)	**($892.7)**	($205.6)	($247.4)	($236.1)	($234.5)	**($923.7)**	**($952.4)**	**($1,019.1)**	**($1,110.7)**	**($1,171.2)**
Delta to pro-forma S-1 Op Income	($3.00)	($3.50)		(6.1)	1.2	4.0											
Operating Income	**$357.4**	**$394.3**	**$421.0**	$135.3	$104.6	$95.4	$119.5	**$454.2**	$132.8	$119.9	$118.6	$153.5	**$524.9**	**$603.3**	**$678.7**	**$994.0**	**$1,308.6**
EBITDA	**$490.4**	**$497.1**	**$527.9**	$171.1	$132.2	$120.6	$150.4	**$572.8**	$164.5	$152.3	$153.0	$190.1	**$659.9**	**$761.4**	**$886.0**	**$1,261.1**	**$1,599.6**
Interest Expense	($29.8)	($29.5)	($37.9)	($1.9)	($1.9)	($1.9)	($22.9)	($62.0)	($13.0)	($12.5)	($14.5)	($16.5)	($56.5)	($76.6)	($104.9)	($144.8)	($146.9)
Other, net	$1.2	$1.5	$17.6	$2.2	$2.2	$2.2	$0.8	$8.8	$3.8	$3.8	$3.8	$3.8	$15.2	$15.2	$15.2	$15.2	$15.2
Income Taxes	($125.6)	($136.9)	($145.9)	($38.6)	($38.6)	($38.6)	($41.9)	($154.3)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net Income to Columbia OpCo	**$203.2**	**$229.4**	**$254.8**	$97.1	$66.3	$57.1	$55.5	**$246.7**	$123.6	$111.2	$107.9	$140.8	**$483.6**	**$541.9**	**$589.0**	**$864.5**	**$1,176.9**
Net Income attributable to non-controlling interests				$82.9	$56.6	$48.8	$47.4	**$235.7**	$104.3	$93.9	$91.1	$118.8	**$408.1**	**$432.4**	**$409.9**	**$511.6**	**$634.4**
Net Income to CPPL				$14.2	$9.7	$8.3	$8.1	**$11.0**	$19.3	$17.3	$16.8	$22.0	**$75.4**	**$109.5**	**$179.2**	**$352.9**	**$542.5**
General Partner interest in net income				$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$2.3	$17.8	$64.2	$129.9
Limited Partners interest in net income				$14.2	$9.7	$8.3	$8.1	$40.3	$19.3	$17.3	$16.8	$22.0	$75.4	$107.2	$161.4	$288.7	$412.6
EPU				$0.14	$0.10	$0.08	$0.08	**$0.40**	$0.19	$0.17	$0.17	$0.22	**$0.75**	**$0.93**	**$1.07**	**$1.46**	**$1.80**
Average L.P. Units Outstanding (MM)				52.8	52.8	52.8	52.8	52.8	52.8	53.8	53.8	53.8	53.6	68.9	116.1	197.5	229.1
Average Subordinated Units Outstanding (MM)				46.8	46.8	46.8	46.8	46.8	46.8	46.8	46.8	46.8	46.8	46.8	35.0	-	-
Distribution per Unit				$0.17	$0.17	$0.17	$0.17	**$0.67**	$0.11	$0.17	$0.18	$0.19	**$0.64**	**$0.85**	**$1.04**	**$1.27**	**$1.55**
Income Tax Rate	38.2%	37.4%	36.4%	28.4%	36.8%	40.3%	43.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CPGX Interests in CPPL		2012	2013	1Q	2Q	3Q	4Q	2014	1QE	2QE	3QE	4QE	2015	2016	2017	2018	2019
LP units owned by COLP				53.8%	53.8%	53.8%	53.8%	**53.8%**	53.8%	53.3%	53.3%	53.3%	**53.4%**	**46.3%**	**35.5%**	**27.1%**	**23.4%**
GP units owned by CPGX				0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Total Interest				53.8%	53.8%	53.8%	53.8%	**53.8%**	53.8%	53.3%	53.3%	53.3%	**53.4%**	**46.3%**	**35.5%**	**27.1%**	**23.4%**
Limited Units CPGX owns of CPPL				53.6	53.6	53.6	53.6	53.6	53.6	53.6	53.6	53.6	53.6	53.6	53.6	53.6	53.6

Source: Company reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 7: CPPL - Consolidated Balance Sheet

Balance Sheet	2010	2011	2012	2013	1Q	2Q	3Q	4Q	2014	1QE	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E
Cash & equivalents				0.3			255.3	0.5	0.5	67.4	66.6	62.2	63.6	63.6	50.0	56.8	49.2	50.6
Accounts receivable				222.4			223.7	303.1	303.1	300.8	323.0	327.9	379.7	379.7	404.9	480.0	551.0	571.2
Inventory				24.8			24.6	24.9	24.9	19.2	23.3	21.7	20.8	20.8	21.3	21.7	22.1	22.6
Other current assets				130.6			95.4	129.2	129.2	129.2	129.2	129.2	129.2	129.2	129.2	129.2	129.2	129.2
Total current assets				**378.1**			599.0	457.7	**457.7**	516.5	542.1	541.0	593.3	**593.3**	**605.3**	**687.7**	**751.4**	**773.6**
Tangible Fixed Assets - Net				**4,303.4**			4,770.4	4,960.2	**4,960.2**	5,177.9	5,448.0	5,777.9	5,937.2	**5,937.2**	**6,928.8**	**9,367.9**	**11,711.2**	**11,965.2**
Goodwill				1,975.5			1,975.5	1,975.5	1,975.5	1,975.5	1,975.5	1,975.5	1,975.5	1,975.5	1,975.5	1,975.5	1,975.5	1,975.5
Other intangible fixed assets				130.3			108.4	151.9	151.9	151.9	151.9	151.9	151.9	151.9	151.9	151.9	151.9	151.9
Investment in affiliates				376.8			440.5	450.5	450.5	450.5	450.5	450.5	450.5	450.5	450.5	450.5	450.5	450.5
Other investments				97.7			120.7	111.7	111.7	111.7	111.7	111.7	111.7	111.7	111.7	111.7	111.7	111.7
Non-Current Assets				**6,883.7**			7,415.5	7,649.8	**7,649.8**	7,867.5	8,137.6	8,467.5	8,626.8	**8,626.8**	**9,618.4**	**12,057.5**	**14,400.8**	**14,654.8**
Total assets				**7,261.8**			8,014.5	8,107.5	**8,107.5**	8,384.0	8,679.7	9,008.5	9,220.1	**9,220.1**	**10,223.7**	**12,745.2**	**15,152.3**	**15,428.4**
Trade payables and other ST liabilities				377.7			370.9	414.5	414.5	461.6	538.3	499.9	486.4	486.4	513.9	580.5	653.5	665.9
Short term debt				719.6			0.0	363.2	363.2	75.8	85.1	102.0	111.2	111.2	106.2	156.3	175.5	164.7
Total current liabilities				**1,097.3**			370.9	777.7	**777.7**	537.4	623.4	602.0	597.7	**597.7**	**620.1**	**736.8**	**829.0**	**830.6**
Long term debt				819.8			511.6	1,472.8	1,472.8	1,440.4	1,617.5	1,938.9	2,113.2	2,113.2	2,018.7	2,970.5	3,335.4	3,129.5
Debt deemed provisions				0.0			0.0	67.9	67.9	67.9	67.9	67.9	67.9	67.9	67.9	67.9	67.9	67.9
Deferred taxes				1,077.0			1.2	1,239.0	1,239.0	1,239.0	1,239.0	1,239.0	1,239.0	1,239.0	1,239.0	1,239.0	1,239.0	1,239.0
Other long term liabilities				367.8			437.1	378.8	378.8	378.8	378.8	378.8	378.8	378.8	378.8	378.8	378.8	378.8
Total liabilities				**3,361.9**			1,320.8	3,936.2	**3,936.2**	3,663.5	3,926.6	4,226.6	4,396.6	**4,396.6**	**4,324.6**	**5,393.0**	**5,850.1**	**5,645.8**
Common equity				3,899.9			6,693.7	4,171.3	4,171.3	4,720.6	4,753.0	4,782.0	4,823.5	4,823.5	5,899.1	7,352.2	9,302.2	9,782.6
Preferred equity				0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests				0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' Equity				**3,899.9**			6,693.7	4,171.3	**4,171.3**	4,720.6	4,753.0	4,782.0	4,823.5	**4,823.5**	**5,899.1**	**7,352.2**	**9,302.2**	**9,782.6**
Total liabilities and equity				**7,261.8**			8,014.5	8,107.5	**8,107.5**	8,384.0	8,679.7	9,008.5	9,220.1	**9,220.1**	**10,223.7**	**12,745.2**	**15,152.3**	**15,428.4**
Check				-			-	-	-	-	-	-	-	-	-	-	-	-
Balance Sheet Assumptions									***88***					***(1)***	***2***	***(9)***	***2***	***(8)***
Working Capital							(27)	43	43	(12)	(63)	(21)	43	43	41	50	49	57
Average Collection Period							65	82	82	80	80	85	90	96	95	103	96	84
Inventory Days							10	10	10	10	10	10	10	8	8	8	7	7
Average Payable Period							151	173	169	175	175	170	165	192	197	208	215	208
Cash							255	1	1	67	67	62	64	64	50	57	49	51
Total Debt							512	1,836	1,836	1,516	1,703	2,041	2,224	2,224	2,125	3,127	3,511	3,294
Total Net Debt							**256**	**1,836**	**1,836**	**1,449**	**1,636**	**1,979**	**2,161**	**2,161**	**2,075**	**3,070**	**3,462**	**3,244**
Preferred Securities							0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' Equity							6,694	4,171	4,171	4,721	4,753	4,782	4,824	4,824	5,899	7,352	9,302	9,783
Net Debt/Capital							3.7%	30.6%	**30.6%**	23.5%	25.6%	29.3%	30.9%	**30.9%**	**26.0%**	**29.5%**	**27.1%**	**24.9%**
EBIT							93	119	445	129	116	115	150	510	588	664	979	1,293
EBIT(1-T)							90	114	429	124	112	111	144	491	567	640	944	1,247
Invested capital							6,950	6,007	6,007	6,169	6,389	6,761	6,984	6,984	7,974	10,422	12,764	13,026
ROIC									7%		7%	7%	7%	7%	7%	7%	8%	10%
ROE									5%		7%	8%	8%	10%	10%	9%	10%	12%
EBITDA							121	150	573	165	152	153	190	660	761	886	1,261	1,600
Net Debt / EBITDA							2.1x	6.8x	**3.2x**	2.7x	2.2x	2.8x	2.7x	**2.7x**	**2.9x**	**3.2x**	**2.8x**	**2.1x**
EBITDA / Interest							7.5x	9.5x	**9.2x**	11.0x	11.7x	9.9x	11.7x	**11.7x**	**9.9x**	**8.4x**	**8.7x**	**10.9x**
Depreciation Rate Calculation								0.6%	**2.4%**	0.6%	0.6%	0.6%	0.6%	**2.3%**	**2.3%**	**2.2%**	**2.3%**	**2.4%**
COLP Net Debt/Capital							42.7%	106.3%	**87.4%**	85.8%	89.1%	95.7%	98.7%	**92.4%**	**89.0%**	**81.9%**	**73.7%**	**62.1%**
Consolidated COLP Leverage										9.6x	7.3x	7.6x	7.3x	**7.3x**	**6.8x**	**6.6x**	**5.2x**	**4.0x**

Source: Company reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 8: CPPL - Consolidated Statement of Cash Flows

Cash Flow Statement	2012	2013	1Q	2Q	3Q	4Q	2014	1QE	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E
Operating activities																
Net income						55.5	269.1	123.6	111.2	107.9	140.8	**483.6**	**541.9**	**589.0**	**864.5**	**1,176.9**
Depreciation, Amortization						30.9	118.6	31.7	32.4	34.3	36.6	**135.0**	**158.2**	**207.2**	**267.1**	**290.9**
Deferred Taxes						0.0	139.3	0.0	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Other, including changes in provisions and other liabilities						0.0	(46.4)	0.0	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net change in working capital						(69.9)	87.5	55.1	50.3	(41.6)	(64.5)	**(0.6)**	**1.9**	**(8.9)**	**1.6**	**(8.2)**
Net cash provided by operating activities						16.5	**568.1**	210.5	193.9	100.6	112.9	**618.0**	**702.0**	**787.3**	**1,133.2**	**1,459.6**
Investing activities																
Capital expenditure - tangible fixed assets						(168.1)	(747.2)	(249.4)	(302.5)	(364.2)	(195.8)	**(1,112.0)**	**(1,149.8)**	**(2,646.4)**	**(2,610.4)**	**(544.9)**
Investment in affiliates						0.0	(69.2)	0.0	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net disposals/(acquisitions)						0.0	9.3	0.0	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Other investment						0.0	(57.4)	0.0	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net cash provided by investing activities						(168.1)	**(864.5)**	(249.4)	(302.5)	(364.2)	(195.8)	**(1,112.0)**	**(1,149.8)**	**(2,646.4)**	**(2,610.4)**	**(544.9)**
Financing activities																
Inc./(dec.) in short term debt						0.0	(472.3)	(287.4)	9.3	16.9	9.2	**(252.0)**	**(5.0)**	**50.1**	**19.2**	**(10.8)**
Inc./(dec.) in long term debt						961.2	768.9	(32.4)	177.2	321.4	174.3	**640.4**	**(94.5)**	**951.7**	**364.9**	**(205.9)**
Inc./(dec.) in equity						0.0	0.0	505	0.0	0.0	0.0	**505.1**	**937.4**	**1,359.1**	**1,859.6**	**452.7**
MLP Distributions						(16.7)	0.0	(11.1)	(16.9)	(17.9)	(18.9)	**(64.7)**	**(101.2)**	**(175.6)**	**(317.0)**	**(484.8)**
Other (assumed payout of OpCo Distributions to CPGX)						(79.0)	0.0	(68.3)	(61.9)	(61.1)	(80.4)	**(271.7)**	**(302.6)**	**(319.5)**	**(457.1)**	**(664.4)**
Inc./(dec.) in preffered equity						0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net cash provided by financing activities						865.5	**296.6**	105.8	107.8	259.3	84.2	**557.1**	**434.2**	**1,865.8**	**1,469.6**	**(913.2)**
Cash flow increase/(decrease) in cash						713.9	0.2	66.9	(0.8)	(4.3)	1.3	63.1	(13.6)	6.8	(7.6)	1.4
Non-cash movements in cash						0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Forex Adjustments						0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net change in cash						713.9	**0.2**	66.9	(0.8)	(4.3)	1.3	**63.1**	**(13.6)**	**6.8**	**(7.6)**	**1.4**
Cash at the beginning of the year						255.3	**0.3**	0.5	67.4	66.6	62.2	**0.5**	**63.6**	**50.0**	**56.8**	**49.2**
Cash at the end of the year					255.3	969.2	**0.5**	67.4	66.6	62.2	63.6	**63.6**	**50.0**	**56.8**	**49.2**	**50.6**
Cash paid for income taxes							21.5									
Cash Interest paid, net of amount capitalized							53.6									
Free Cash Flow (after dividends)					0	(168)	(179)	(50)	(125)	(281)	(102)	(559)	(549)	(2,035)	(1,794)	430
Free Cash Flow CFA Rules (NI+D&A-WC-CapEx)					0	(152)	(272)	(39)	(109)	(264)	(83)	(494)	(448)	(1,859)	(1,477)	915

Source: Company reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Estimate Change

March 13, 2015

Company Description

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4 million US customers. The Company operates through three segments: Gas Distribution, Columbia Pipeline Group, and Electric. The Gas Distribution operations provide natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. Columbia Pipeline Group offers gas transportation and storage services for Local distribution companies, marketers and industrial and commercial customers located in Northeastern, Mid-Atlantic, Midwestern and Southern states. The Electric Operations segment provides electric service in various counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

Columbia Pipeline Partners, L.P. (NYSE: CPPL) is a Master Limited Partnership (MLP) engaged in the gathering, processing, transportation, storage, and marketing of natural gas. In February 2015, CPPL completed its IPO as a MLP, offering 40mm common units (46mm including over allotment). Through its ~15.6% interest in Columbia OpCo, CPPL owns and operates ~15,000 miles of interstate natural gas transmission assets, ~300 Bcf of underground storage capacity, and gathering & processing assets. Columbia Pipeline Partners, L.P. is headquartered in Houston, TX. Columbia Energy Group, a wholly-owned subsidiary of NiSource (NYSE: NI) is CPPL's general partner & currently owns ~7mm common units and ~47mm subordinated units (~54% LP stake), GP interests, and 100% interest in the Incentive Distribution Rights (IDRs).

Analyst Certification:

I, Christopher Sighinolfi, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
I, Christopher Tillett, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
I, Corey Goldman, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.
As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

Meanings of Jefferies Ratings

Buy - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.
Hold - Describes stocks that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.
Underperform - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.
The expected total return (price appreciation plus yield) for Buy rated stocks with an average stock price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated stocks with an average stock price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated stocks with an average stock price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% within a 12-month period.
NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.
CS - Coverage Suspended. Jefferies has suspended coverage of this company.
NC - Not covered. Jefferies does not cover this company.
Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.
Monitor - Describes stocks whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Jefferies Franchise Picks

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Energy

Estimate Change

March 13, 2015

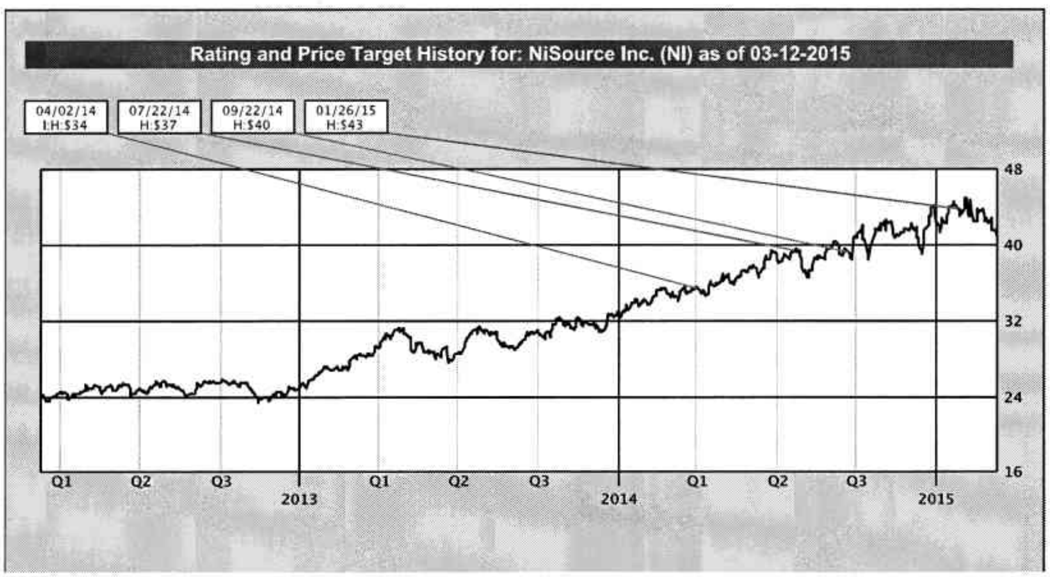
Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

Risk which may impede the achievement of our Price Target

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.

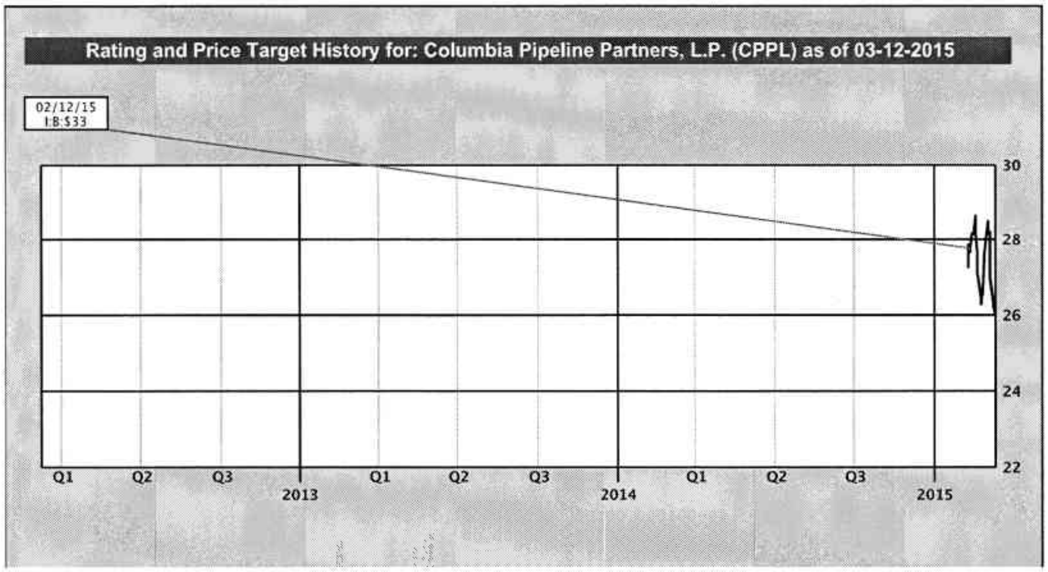
Other Companies Mentioned in This Report

- Columbia Pipeline Partners, L.P. (CPPL: $26.46, BUY)
- NiSource Inc. (NI: $42.06, HOLD)



Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Jefferies



Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	1056	51.01%	290	27.46%
HOLD	840	40.58%	159	18.93%
UNDERPERFORM	174	8.41%	11	6.32%

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Other Important Disclosures

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC ("Jefferies") group companies:

United States: Jefferies LLC which is an SEC registered firm and a member of FINRA.

United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

India: Jefferies India Private Limited (CIN - U74140MH2007PTC200509), which is licensed by the Securities and Exchange Board of India as a Merchant Banker (INM000011443) and a Stock Broker with Bombay Stock Exchange Limited (INB011491033) and National Stock Exchange of India Limited (INB231491037) in the Capital Market Segment; located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051, India; Tel +91 22 4356 6000.

This material has been prepared by Jefferies employing appropriate expertise, and in the belief that it is fair and not misleading. The information set forth herein was obtained from sources believed to be reliable, but has not been independently verified by Jefferies. Therefore, except for any obligation under applicable rules we do not guarantee its accuracy. Additional and supporting information is available upon request. Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this material is distributed in the United States ("US"), by Jefferies LLC, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic Area this report is issued and/or approved for distribution by Jefferies International Limited and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed. Jefferies International Limited has adopted a conflicts management policy in connection with the preparation and publication of research, the details of which are available upon request in writing to the Compliance Officer. Jefferies International Limited may allow its analysts to undertake private consultancy work. Jefferies International Limited's conflicts management policy sets out the arrangements Jefferies International Limited employs to manage any potential conflicts of interest that may arise as a result of such consultancy work. For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, this material is provided by Jefferies Singapore Limited pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Cap. 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact Jefferies Singapore Limited, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the PRC. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India this report is made available by Jefferies India Private Limited. In Australia this information is issued solely by Jefferies International Limited and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies International Limited is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. Jefferies International Limited has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services licence under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, its associates or affiliates, and its respective officers, directors, and employees may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. Upon request Jefferies may provide specialized research products or services to certain customers focusing on the prospects for individual covered stocks as compared to other covered stocks over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, the analyst has a reasonable basis and any inconsistencies can be reasonably explained. This material does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

rates could have adverse effects on the value or price of, or income derived from, certain investments. This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of securities. None of Jefferies, any of its affiliates or its research analysts has any authority whatsoever to make any representations or warranty on behalf of the issuer(s). Jefferies policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis. Any comments or statements made herein are those of the author(s) and may differ from the views of Jefferies.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Jefferies research reports are disseminated and available primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Jefferies. Neither Jefferies nor any officer nor employee of Jefferies accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

For Important Disclosure information, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 1.888.JEFFERIES

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

COMPANY NOTE

Target | Estimate Change

USA | Energy | Natural Gas

July 1, 2015

Jefferies

NiSource Inc. (NI)

An Amicable Divorce for NiSource

HOLD
Price target $17.00
(from $44.00)
Price $45.59

EQUITY RESEARCH AMERICAS

Key Takeaway

With the completion of NI's midstream spin-off into CPGX today, we reexamine the utility operations & offer revised analysis on the pro-forma NI. Its distribution footprint traverses seven states, serving ~4mm customers under generally constructive regulatory regimes. We see 2015-19 EPS & dividend CAGRs of ~4.5% & ~5.2%, but elevated leverage (~5x Debt/EBITDA). Our $17 PT is derived via P/E & Target Yield approaches; we maintain a Hold rating.

Midstream spin-off completed. In Sept., NI announced plans to form a midstream MLP and formally separate its midstream & utility operations by mid-2015. Columbia Pipeline Partners (CPPL) successfully IPOed in Feb. & the formal spin-off of the Columbia Pipeline Group (CPGX) was completed today. As such, we offer revised analysis of the pro-forma NI & are separately launching coverage of CPGX.

A solid distribution footprint. The spin-off leaves NI as a fully-regulated natural gas & electric distribution company serving ~4mm customers in 7 states. It enjoys constructive regulatory environments & has worked with regulators to stabilize cash flows, reduce regulatory lag, and enhance system safety & reliability. While leverage remains elevated (~5x Debt/EBITDA), mgmt expects to maintain an IG credit rating and to grow EPS & dividends at approx. 4-6% annual rates. NI's $30B of identified infrastructure investments provide a multi-decade fairway of organic growth while a recent uptick in utility M&A introduces the potential for ongoing sector consolidation.

Revised NI value. Given NI's 1/3 electric, 2/3 gas profile, we see a weighted 2016 comp average P/E of 16.4x, which yields a PT of ~$17 using our $1.04 2016E EPS. Similarly, a weighted 2016 average yield of 3.9% also points to ~$17 using our 66¢ 3Q16 run-rate.

Trading patterns of energy spin-offs. We examine the performance of energy spin-offs & note that in 83% of instances, the SpinCos *underperformed* the S&P 500 over their first 90 days by an average of ~10.4%. Conversely, the StubCos *outperformed* the S&P 500 over the same period by an average of ~3.1%. Though we expect NI & CPGX to be desired by utility & midstream investors, respectively, post-spin trading friction is likely as individual shareholder bases solidify.

Valuation/Risks

Our $17 PT is derived via P/E & target yield approaches. We project a 2015-19 dividend CAGR of ~5% with EPS payout ratios of 60-65%. Unexpected regulatory outcomes, deviations in customer growth, and project execution present risks to our estimates & PT.

USD	Prev.	2014A	Prev.	2015E	Prev.	2016E	Prev.	2017E
EPS	--	1.65	*1.82*	1.47	*1.85*	1.04	*1.89*	1.09
DPS	--	1.02	*1.08*	0.83	*1.21*	0.64	*1.32*	0.68
EBITDA (MM)								
Mar	--	644.8	--	688.0A	--	--	--	--
Jun	--	375.4	*404.3*	406.3	--	--	--	--
Sep	--	339.5	*370.6*	227.5	--	--	--	--
Dec	--	503.9	*562.0*	374.9	--	--	--	--
FY Dec	--	1,863.6	*2,024.9*	1,359.9	*2,163.0*	1,402.3	*2,355.9*	1,461.5
EV/EBITDA		12.4x		17.0x		16.5x		15.8x

Financial Summary

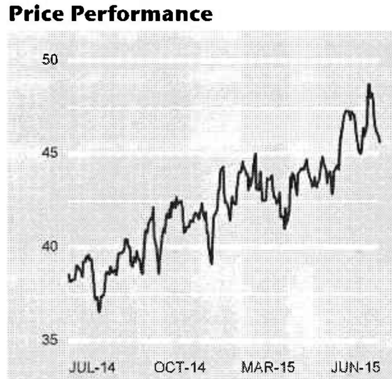
Net Debt (MM):	$8,692.6
Net Debt/Capital:	53.8%
Long-Term Debt (MM):	$7,957.9
Dividend Yield:	3.7%

Market Data

52 Week Range:	$49.16 - $36.00
Total Entprs. Value (MM):	$23,162.9
Market Cap. (MM):	$14,470.3
Shares Out. (MM):	317.4
Float (MM):	314.9
Avg. Daily Vol.:	2,217,111

Christopher Sighinolfi, CFA *
Equity Analyst
(212) 707-6420 csighino@jefferies.com
Christopher Tillett *
Equity Associate
(212) 284-4697 ctillett@jefferies.com
Corey Goldman *
Equity Associate
(212) 284-3411 cgoldma1@jefferies.com
* Jefferies LLC

Price Performance



NI

Target | Estimate Change

July 1, 2015

NiSource, Inc. (NI)

Hold: $17 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- Infrastructure modernization programs to generate steady growth & returns across all segments over the few next decades
- Following CPPL IPO and CPGX spin-off, NI joins utility peers with premium asset footprints and favorable regulatory climates
- ~6% dividend CAGR from 2016-19; ~4% EPS CAGR from 2016-19
- 2016 Adj. EPS: $1.04; 3Q16 dividend: $0.17/share; Target Price $17

Upside Scenario

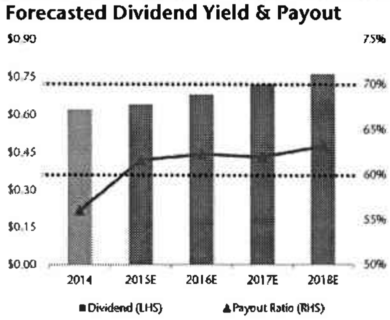
- Customer growth grows faster than projected ~0.5% per year assumption and alternative source of regulated revenues are secured
- NI spends above the high-end of its guidance range, growing rate base faster than anticipated
- Mgmt reduces debt load generating interest cost savings
- 2016 Adj. EPS: $1.15; 3Q16 dividend: $0.175/share; Target Price: $24

Downside Scenario

- Customer growth is slower than projected ~0.5% per year assumption, or negative
- NI spends below the low-end of its guidance range, and rate base growth is slower than anticipated
- Cost overruns and rising debt loads weigh on EPS
- Adverse regulatory and rate case outcomes
- 2016 Adj. EPS: $0.95; 3Q16 dividend: $0.16/share; Target Price: $14

Long Term Analysis

Forecasted Dividend Yield & Payout



Source: Jefferies estimates

Long Term Financial Model Drivers

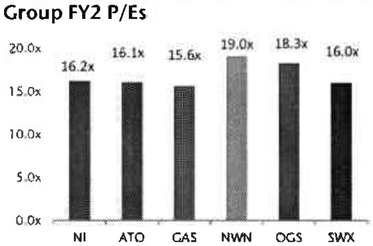
5-Year EPS CAGR	~4.5%
'15-'19 Dividend CAGR	~5.2%
Payout Ratio	~63%
Terminal Cash Flow Growth Rate	2.0%

Other Considerations

Given the fragment nature of the LDC sector, muted growth characteristics, low interest rates, and a recent up-tick in M&A, we believe further consolidation is likely. With its 100% regulated profile and solid earnings & dividend growth projections, we believe NI could be both a buyer & seller.

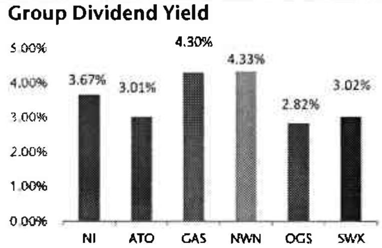
Peer Group

Group FY2 P/Es



Source: FactSet, Jefferies estimates

Group Dividend Yield



Source: FactSet, Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
NI	**Hold**	**$17**
ATO	NC	NC
GAS	NC	NC
NWN	NC	NC
OGS	Hold	$41
SWX	Buy	$60

Catalysts

- Continued regulatory progress and reduction in regulatory lag could improve earnings growth
- Extension or expansion of modernization programs across any/all service territories
- Increased revenue-normalization efforts and reduction in volumetric sensitivities

Company Description

NiSource, Inc. (NYSE: NI) is a public utility holding company whose subsidiaries provide natural gas and electricity to 4 million US customers. The Gas Distribution operations provide natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The Electric Operations segment provides electric service in various counties in the northern part of Indiana. In 2015 NiSource separated from a diversified energy holding company to a public utility operator via the separation of its former midstream business, now separately publicly traded as Columbia Pipeline Group (NYSE: CPGX). NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Executive Summary

With the successful completion of its midstream spin-off into the Columbia Pipeline Group (CPGX) today, we have reexamined NI's utility operations and offer revised analysis on its fundamental positioning & value proposition. The Company's distribution footprint traverses seven states, serving ~4 million customers under generally constructive regulatory regimes. We see ongoing infrastructure investments driving respective 2015-19 EPS & dividend CAGRs of ~4.5% & 5.2%, but note leverage remains elevated (~5x Debt/EBITDA) vs. other covered utilities. Our $17 price target is derived via PE and Target Yield approaches; given the when-issued trading price, we maintain a Hold rating.

A strong presence in the Marcellus & Utica regions. The pro-forma NI provides gas and electric distribution services to roughly four million customers across seven states in the Midwest, Mid-Atlantic, and Northeast regions of the US. The company serves steady and growing population centers and enjoys access to low-cost, rapidly growing Marcellus & Utica gas supplies. Its operational jurisdictions offer favorable regulatory climates and management has consistently worked with regulators over recent years to stabilize cash flows, reduce regulatory lag, and constructively enhance system safety & reliability. An estimated 2/3 of its net revenue is generated from non-volume sensitive sources, with just 1/3 derived from sources sensitive to volumetric fluctuations. With a collective gas distribution rate base of approximately $5B and an electric distribution rate base of roughly $3B, the new NiSource is among the largest 100%-regulated names in the region.

Clear financial goals. Management has outlined 2016 EPS guidance (non-GAAP) of $1.00-$1.10, ~$1.4B in total capex, and a targeted dividend payout ratio of 60-70%. In addition, it established an expected initial annual per-share dividend (at CPGX spin) of 62¢ and projected annual EPS and dividend growth of 4-6%. NI has identified ~$30B of collective infrastructure investment opportunities across its businesses units, roughly 75% of which is expected to be revenue producing. Management plans to steadily execute on this inventory over the next several decades and has communicated a commitment to investment grade credit ratings. At separation, NI has an estimated $6.7B of consolidated debt with its long-term portfolio boasting a weighted average maturity of ~14 years and a weighted average interest rate of ~5.8%. In addition, a largely undrawn $1.5B, 5-year committed credit facility provides the Company ample initial liquidity.

Post-spin trading performance. We have taken a detailed look at recent energy spin-offs and anticipate shareholder rotation as investors realign holdings to achieve desired targets. In our analysis, 83% of recent energy spin-cos (CPGX) *underperformed* the S&P over the first quarter of live trading by an average of ~10.4%, while the stub-cos (NI) *outperformed* the S&P by an average of 3.1% over the same period. Given the utility bend of NI legacy shareholders and its ongoing pro-forma distribution footprint, we anticipate more rotational pressure at CPGX in the third quarter.

Valuation

Our $17 price target is derived via a combination of P/E and target yield approaches. With continued customer growth, ongoing investment across its service territory (rate base growth), and financial and operational discipline, we project respective 2015-19 EPS and dividend CAGRs of ~4.5% and ~5.2%. However, at current levels, shares offer just ~4% total return potential to our price target; hence, we maintain our Hold rating.

Risks

Unexpected rate case decisions, project execution, sudden and sustained interest rate increases, changes in capital market access, and volatile customer growth all pose risks to our EPS and dividend projections and to our price target.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Valuation Overview

As US Treasury yields have inched higher over the last several weeks (the yield on the 10-year Note has risen ~50 bps since mid-April) regulated utility valuations have come under pressure as evidenced by the Utilities Sector SPDR Fund's (XLU) ~8% drop over the same period. As commodity prices (namely oil) have stabilized following a precipitous late 2014 decline and investor uncertainty regarding interest rates has grown, the utility group has come under pressure, compressing its average P/E multiple & lifting its average dividend yield. Accordingly, the XLU now trades with a F2Y P/E multiple of 15.0x, roughly 2.5x lower than it did at the beginning of the year.

We continue to believe NI's natural gas & electric utilities represent a premier collection of distribution assets which would normally warrant a premium valuation vs. peers given: 1) constructive regulatory environments; 2) significant modernization investment programs; 3) decent population and demographic characteristics; and, 4) an expected ~8% annual rate base growth. However, as we expect NI to carry ~2.0x of additional leverage (Debt/EBITDA) vs. other utilities under coverage and its 4-6% EPS and dividend CAGRs squarely align with peer averages, we incorporate only group averages in our P/E and Target Yield valuation approaches.

Exhibits 1 & 2 below detail the electric & gas utility companies we utilized in calculating the 'group average' 2016 P/E multiple and dividend yield. As previously noted, we have weighted NI's P/E multiple and dividend yield 1/3 to the electric utility average and 2/3 to the gas utility average to be consistent with the composition of its earnings profile.

Exhibit 1: Electric Utility Comps Table

Company	2015 P/E	2016 P/E	2015 Payout Ratio	2016 Payout Ratio	2015 Dividend Yield	2016 Dividend Yield
AEP	14.9x	14.2x	60.4%	60.2%	4.0%	4.2%
D	18.1x	17.3x	69.3%	71.0%	3.8%	4.1%
DUK	14.3x	13.6x	68.2%	67.8%	4.8%	5.0%
NEE	17.3x	16.1x	54.3%	54.3%	3.1%	3.4%
SO	14.7x	14.2x	76.3%	76.1%	5.2%	5.4%
Average	15.9x	15.1x	65.7%	65.9%	4.2%	4.4%

Source: Factset

Exhibit 2: Natural Gas LDC Comps Table

Company	2015 P/E	2016 P/E	2015 Payout Ratio	2016 Payout Ratio	2015 Dividend Yield	2016 Dividend Yield
GAS	15.7x	15.5x	68.4%	69.6%	4.3%	4.5%
ATO	17.0x	16.0x	52.1%	50.9%	3.1%	3.2%
NWN	20.8x	18.9x	92.3%	86.8%	4.4%	4.6%
OGS	19.7x	18.4x	55.7%	56.5%	2.8%	3.1%
SWX	17.5x	16.0x	51.9%	52.8%	3.0%	3.3%
WGL	18.5x	17.8x	62.3%	62.6%	3.4%	3.5%
Average	18.2x	17.1x	63.8%	63.2%	3.5%	3.7%

Source: Factset, Jefferies estimates

Note: EPS & dividend forecasts for OGS & SWX are Jefferies estimates; all other names utilize FactSet consensus projections.

We project 2016 NI pro-forma EPS of $1.04 which, if ascribed a weighted average electric/gas PE multiple of 16.4x, implies a per share price of $17.10. Similarly, we forecast a 3Q16 annualized dividend run-rate of 66¢ which, if ascribed a weighted average electric/gas dividend yield of ~3.9%, implies a per share price of $16.92. An average of these two outcomes represents our formal $17 price target; both approaches our outlined in Exhibits 3 and 4 on the following page.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 3: NI Target P/E Valuation Analysis

Target P/E Analysis	
2016 EPS	$1.04
Average 2016 P/E	16.4x
Implied Price Target	**$17.05**

Source: Jefferies estimates

Note: Our 2016 P/E multiple uses the ~17.1x peer average comp for the gas LDC group & a peer average ~15.1x for the electric utility group, with 1/3 weighting to the electric business and 2/3 weighting to gas.

Exhibit 4: NI Target Yield Analysis

Target Yield Analysis	
3Q16 Dividend	$0.66
Average Historical Yield	3.05%
Target Yield	3.90%
Implied Price Target	**$16.92**

Source: NI reports & Jefferies estimates

The target yield utilizes a ~3.7% average of gas LDCs & a peer average ~4.4% for the electric business, weighting 2/3 toward gas and 1/3 toward electric.

Debt Load a Cause for Concern?

Following the CPGX spin-off and the repayment of certain debts related to the midstream business, NiSource estimates it will have ~$6.7B in consolidated debt on its balance sheet which, according to our estimates, will leave the company with ~5.0x Debt/EBITDA. Despite these leverage concerns, NI did receive investment-grade ratings from all three ratings agencies with stable to positive outlooks across the board. With an estimated ~$1.2-$1.4B in annual capex across the businesses over the forecast horizon, we project negative free cash flow for the foreseeable future and estimate Debt/ EBITDA to remain in the ~5.0x range, barring significant equity raises.

When comparing estimated 2015 Net Debt/EBITDA across the gas utility group (NI is 2/3 gas utility), NI's ~5.0x of pro-forma leverage is the highest among the group and exceeds the group average of 3.2x by roughly two full turns.

Exhibit 5: Regulated Debt, Credit, & Yield Metrics

Company	2015 Net Debt / EBITDA	S&P Rating	Rating Outlook	2014-17 Dividend CAGR
ATO	2.9x	A-	Stable	5.2%
GAS	3.4x	BBB+	Stable	3.9%
NWN	3.9x	A+	Stable	NA
OGS	2.8x	A-	Stable	7.7%
STR	2.3x	A	Stable	7.3%
SWX	2.6x	BBB+	Stable	11.0%
Union Gas (SE)	4.6x	BBB+	Stable	NA
WGL	2.9x	A+	Stable	NA
Average	**3.2x**			**7.0%**
NI	**5.0x**	**NA**	**NA**	**6.1%**

Source: Jefferies estimates, Factset consensus, SNL financial

Note: Union Gas uses 2015 Net Debt/EBITDA based on TTM EBITDA; consensus estimates not available for NWN, & WGL; Union Gas does not pay public dividends; NI Dividend CAGR represents 3Q15-3Q18 annualized CAGR.

Note: In February 2009, seven months removed from peak US oil, natural gas, and NGL prices and amid a weakening CAD/USD relationship and the depths of the global financial crisis, SE raised 32.2mm common shares (including a 4.2mm overallotment) at $14.35/share to make a capital contribution to its Union Gas subsidiary as it was approaching a debt covenant limit. While Union Gas' leverage may seem high in comparison to the group, it enjoys the support of a dedicated parent with a history of action to shore up credit metrics when necessary

While NI received IG ratings from all three agencies as expected, we highlight its elevated leverage as a potential investor concern and believe it largely explains the delta between management's expected 6-8% rate base growth and 4-6% EPS growth. NI may need to take further action to shore up its balance sheet should interest rates begin to rise rapidly, capital expenditure plans sizably increase, or access to debt capital markets become more limited.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 6: Performance Tracker

90-Day Performance Tracker vs S&P 500		
Comp	Performance	Stub-to-Spin
DUK	4.8%	10.3%
SE	-5.5%	
STR	8.9%	21.8%
QEP	-13.0%	
MRO	-18.2%	2.1%
MPC	-20.3%	
WMB	2.3%	15.1%
WPX	-12.9%	
COP	1.0%	(10.7%)
PSX	11.8%	
OKE	1.8%	2.1%
OGS	-0.3%	

Source: FactSet

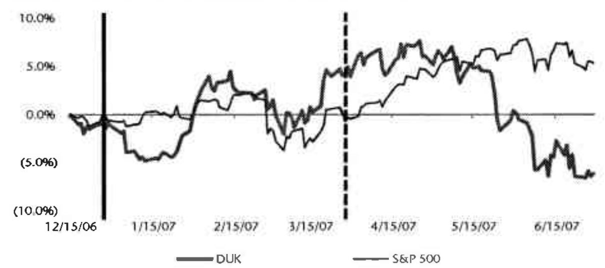
A Look at Recent Spin-offs & Trading Performances

In Exhibits 3 & 4, we outline our assessment of pro forma NI valuation based on several different approaches. While we believe the analysis is reasonable, we recognize that certain spin-related trading dynamics may, for a period of time, hinder its ability to capture full expected value. In particular, we anticipate shareholder rotation will occur at both NI & CPGX as investors realign their holdings to achieve desired targets. In the section below, we examine the performance of recent energy spin-offs & note that in 83% of instances, the spin-cos *underperformed* the S&P 500 over their first quarter of live trading and by an average of ~10.4%. Conversely, in the same examples, the stub-cos *outperformed* the S&P 500 over the same period by an average of approximately 3.1%.

Spectra Energy Corp. (SE) spins from Duke Energy Corp. (DUK)

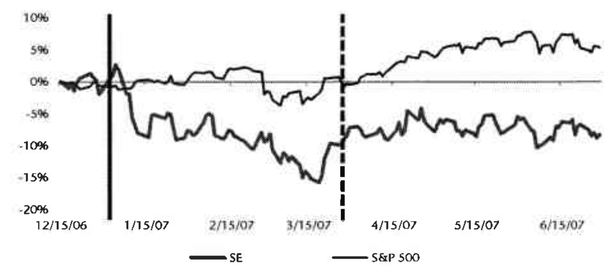
In May 2005, following its announced merger with Cinergy, Duke Energy Corp. (DUK) proposed separating its natural gas business from its electric operations. In June, its Board unanimously authorized a plan to pursue a spin off, which it approved in December 2006 and the spin of Spectra Energy (SE) was completed on January 3, 2007. The 'when-issued' trading period ran from 12.14.06-12.29.06 and 'regular-way' trading began on 1.3.07. In the first quarter following the completion of its spin, SE shares underperformed the S&P 500 by ~5.5% while DUK shares outperformed the same benchmark by ~4.8%.

Chart 1: DUK Performance Around SE Spin



Source: FactSet, Company Reports
Note: Solid line marks 'WI' trading, dashed denotes first 90-days of live trading

Chart 2: SE Performance Around Its Spin

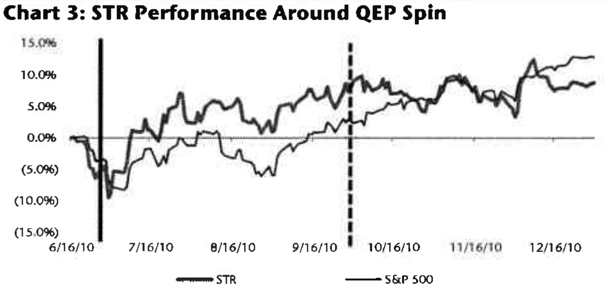


Source: FactSet, Company Reports
Note: Solid line marks 'WI' trading, dashed denotes first 90-days of live trading

QEP Resources (QEP) spins from Questar Corp. (STR)

In April 2010, Questar Corp. (STR) announced it was considering a tax-free spin of its E&P operations into a separately-listed entity, a decision it made in May and its Board formally approved in June. The spin-off of QEP Resources (QEP) was completed on July 1, 2010 following a 'when-issued' trading period from 6.16.10 to 6.30.10. In the first quarter following the completion of its spin, QEP shares underperformed the S&P 500 by roughly 13.0% while STR shares outperformed the same benchmark by approximately 8.9%.

Chart 3: STR Performance Around QEP Spin



Source: FactSet, Company Reports
Note: Solid line marks 'WI' trading, dashed denotes first 90-days of live trading

Chart 4: QEP Performance Around Its Spin

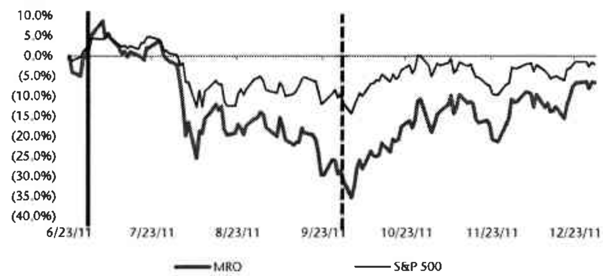
Source: FactSet, Company Reports
Note: Solid line marks 'WI' trading, dashed denotes first 90-days of live trading

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Marathon Petroleum Corp. (MPC) spins from Marathon Oil Corp. (MRO)

In January 2011, Marathon Oil Corp. (MRO) announced plans to spin-off its downstream business (petroleum refining, marketing, and transportation & distribution operations) into a separately-traded entity, creating the fifth largest US refiner. The spin of these assets into Marathon Petroleum Corp. (MPC) was approved by MRO's Board in May 2011 & the transaction was completed on July 1, 2011, following a 'when-issued' trading period that ran from 6.23.11 to 6.30.11. In the first quarter following the completion of its spin, MPC & MRO shares both underperformed the S&P 500 by ~20.3% and ~18.2%, respectively.

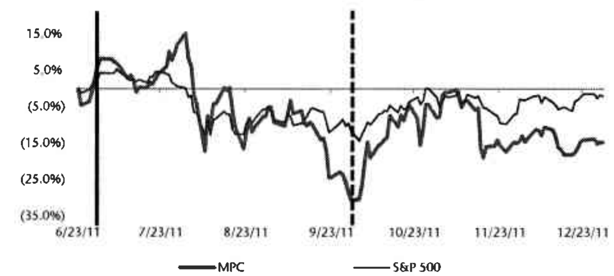
Chart 5: MRO Performance Around MPC Spin



Source: FactSet, Company Reports

Note: Solid line marks 'WI' trading, dashed denotes first 90-days of live trading

Chart 6: MPC Performance Around Its Spin



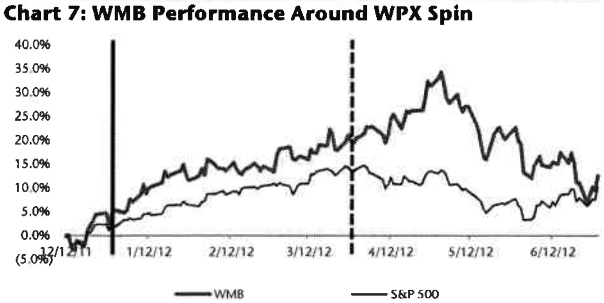
Source: FactSet, Company Reports

Note: Solid line marks 'WI' trading, dashed denotes first 90-days of live trading

WPX Energy (WPX) spins from the Williams Companies (WMB)

In February 2011, Williams Cos. (WMB) announced plans to pursue the separation of its Exploration & Production operations into a separately-traded entity. Initially conceived as a partial IPO & partial tax-free spin, WMB's Board revised its plan in October 2011, opting to forgo the IPO and pursue a one-time spin of the entire business. The spin was formally approved by the Board in December 2011 and the spin was completed on December 31, following a 'when-issued' trading period that ran from 12.12.11 to 12.30.11. In the first quarter following its spin, WPX shares underperformed the S&P 500 by roughly 12.9% while WMB shares outperformed the same benchmark by approximately 2.3%.

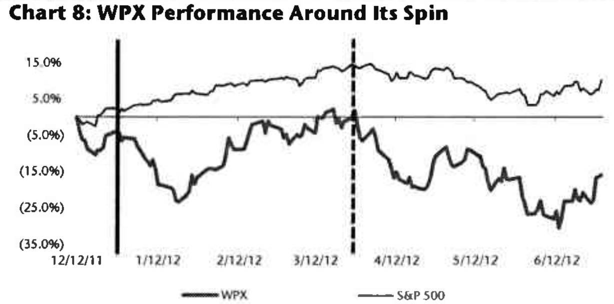
Chart 7: WMB Performance Around WPX Spin



Source: FactSet, Company Reports

Note: Solid line marks 'WI' trading, dashed denotes first 90-days of live trading

Chart 8: WPX Performance Around Its Spin



Source: FactSet, Company Reports

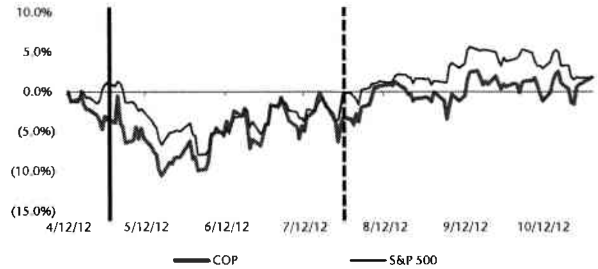
Note: Solid line marks 'WI' trading, dashed denotes first 90-days of live trading

Phillips 66 (PSX) spins from ConocoPhillips (COP)

In July 2011, ConocoPhillips (COP) announced plans to separate its refining, marketing, transportation, and chemicals operations into a separately-traded entity. The COP Board granted final approval for the spin in April 2012 and the separation was completed post-close on April 30, 2012, following a 'when-issued' trading period that stretched from 4.12.12 to 4.30.12. In the first quarter following the completion of its spin, PSX & COP shares both outperformed the S&P 500 by ~11.8% and ~1.0%, respectively.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

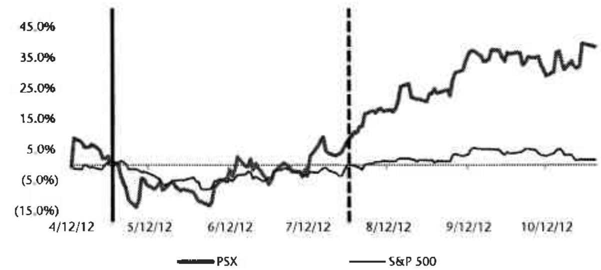
Chart 9: COP Performance Around PSX Spin



Source: FactSet, Company Reports

Note: Solid line marks 'WI' trading, dashed denotes first 90-days of live trading

Chart 10: PSX Performance Around Its Spin



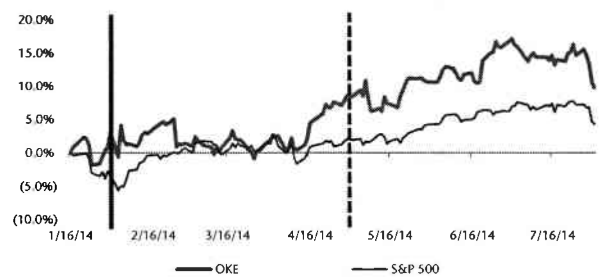
Source: FactSet, Company Reports

Note: Solid line marks 'WI' trading, dashed denotes first 90-days of live trading

ONE Gas (OGS) spins from ONEOK Inc (OKE)

In July 2013, ONEOK Inc (OKE) announced plans to separate its regulated natural gas distribution company into a separately traded public entity. The OKE Board granted final approval for the spin in January 2014 and the separation was completed post-close on February 3, 2014, following a 'when-issued' trading period that stretched from 1.31.14 to 1.31.14. In the first quarter following the completion of its spin, OGS shares underperformed the S&P 500 by ~0.3% while OKE outperformed the S&P 500 by ~1.8%.

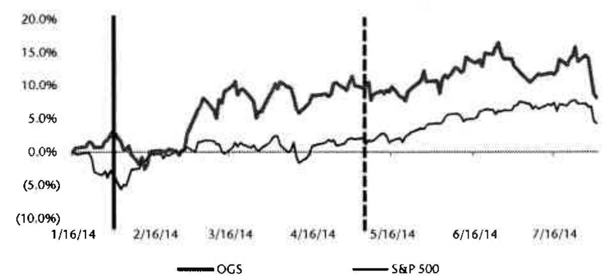
Chart 11: OKE Performance Around OGS Spin



Source: FactSet, Company Reports

Note: Solid line represents end of 'when-issued' trading & dashed line denotes first 90-days of live trading

Chart 12: OGS Performance Around Its Spin



Source: FactSet, Company Reports

Note: Solid line represents end of 'when-issued' trading & dashed line denotes first 90-days of live trading

We anticipate that trading of both NI and CPGX in the first several months following the separation will be rocky while investors rotate positions to better align with their desired utility or midstream benchmarks.

We anticipate that NI & CPGX live trading could be rocky as investors rotate positions to better align with desired utility and/or midstream benchmarks. While we believe both entities are broadly reflecting fundamental fair value in the when-issued market, their relative values will be better assessed when 'regular-way' trading commences today. The spin-related trading dynamics presented in the preceding pages may prevent CPGX & NI from holding fair value; however, they may also create opportunistic trading conditions.

Peer Comps

Exhibit 7 on the next page illustrates how the pro-forma NI's projected trading multiples compare within a group of diversified gas utilities. While none of the listed companies share the exact same asset composition or regulatory footprint, we believe they represent an appropriate peer group. The electric utilities featured in Exhibit 1 are also relevant, as NI is predominantly gas utility in profile, we believe the grouping in Exhibit 7 offers a better representation of its peers.

Exhibit 7: NiSource Peer Comparable Table

Company Name	Ticker	Rating	Price	Price Target	Implied 2015 Payout Ratio	Implied 2016 Payout Ratio	3-year Dividend CAGR ('14-'17)	2015 Net Debt/EBITDA	2015E P/E Multiples	2016E P/E Multiples	2015E EV/EBITDA Multiple	2016E EV/EBITDA Multiple	Current Yield	2015 Yield	2016 Yield
AGL Resources Inc.	GAS	NC	$46.96	NA	68.4%	69.6%	3.9%	3.4x	15.7x	15.5x	8.3x	7.8x	4.3%	4.3%	4.5%
Atmos Energy Corp.	ATO	NC	$51.43	NA	52.1%	50.9%	5.1%	2.9x	17.0x	16.0x	8.7x	8.0x	1.5%	3.1%	3.2%
NiSource Inc.	NI.wi	HOLD	$16.90	$17.00	61.4%	61.6%	5.1%	5.0x	16.7x	16.3x	9.1x	8.6x	3.7%	3.7%	3.8%
Northwest Natural Gas Co.	NWN	NC	$42.71	NA	92.3%	86.8%	2.3%	3.9x	20.8x	18.9x	9.6x	NA	4.4%	4.4%	4.6%
One Gas Inc.	OGS	HOLD	$42.32	$41.00	55.7%	56.5%	5.1%	2.8x	19.7x	18.4x	8.8x	8.1x	2.8%	2.8%	3.1%
Southwest Gas Corp.	SWX	BUY	$53.32	$60.00	51.9%	52.8%	7.2%	2.6x	17.5x	16.0x	7.0x	6.6x	2.7%	3.0%	3.3%
WGL Holdings Inc.	WGL	NC	$54.52	NA	62.3%	62.6%	5.0%	2.9x	18.5x	17.8x	9.8x	8.9x	3.4%	3.4%	3.5%
Average					63.5%	63.0%	4.8%	3.4x	18.0x	17.0x	8.7x	8.0x	3.3%	3.5%	3.7%

Source: FactSet, Jefferies

NiSource Gas Distribution

NiSource Gas Distribution (NGD) provides supplies of domestic natural gas to more than 3.4 million residential, commercial, & industrial customers through 60K miles of pipeline & related facilities. It owns various subsidiaries which operate independently within each state: Columbia Gas of Kentucky, Columbia Gas of Maryland, Columbia Gas of Ohio, Columbia Gas of Massachusetts, Columbia Gas of Pennsylvania, Columbia Gas of Virginia, and NIPSCO (Northern Indiana Public Service Co.). NIPSCO is an Indiana utility providing both natural gas & electricity distribution services to the northern part of the state. NiSource's Gas Distribution segment is collectively one of the largest distributors in the US. As of YE14, more than 3.1 million of NGD's 3.4 million customers were residential rate payers, though this group compromises only ~30% of total volume. Industrial users comprise only ~8K of NGD's customers but represent nearly 50% of total gas volumes sold. Commercial customers comprise the remaining ~280K customers & ~20% of sales.

Exhibit 8: NiSource Gas Distribution

Source: NI reports

Modernization Programs & Rate Cases

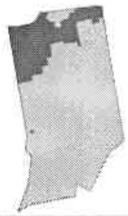
NGD has a platform for sustainable earnings growth through a variety of infrastructure replacement programs across its seven jurisdictions.

- **Indiana (~$800mm rate base)**: Northern Indiana Public Supply's (NIPSCO) gas division has an estimated $800mm rate base with a seven-year, $120mm annual infrastructure replacement program. The plan was approved and implemented in 2014 & will focus on upgrading the system as well as extending service to rural customers. We estimate NIPSCO's allowed ROE to be ~10.2%.
- **Kentucky (~$235mm rate base)**: Columbia Gas of Kentucky has a $10-$15mm annual long-term annual infrastructure replacement program tracked with annual filings; its authorized ROE is ~10.5%.
- **Maryland (~$60mm rate base)**: Columbia Gas of Maryland has a long term infrastructure replacement program of $5-$10mm per year that is recovered via rate case filings with make-whole filings for up to three subsequent years from the initial filing. Columbia Gas of Maryland's authorized ROE is 9.6%.
- **Massachusetts (~$600mm rate base):** Columbia Gas of Massachusetts has a long term infrastructure replacement program of $20-$25mm per year that is tracked with annual filings supplemented with periodic rate cases.
- **Ohio (~$1.7B rate base):** Columbia Gas of Ohio has a $150-$200mm annual long-term infrastructure replacement program that is tracked with annual filings. The program has a 5-year renewal period which occurs again in the spring of 2018. Columbia Gas of Ohio's authorized ROE is 10.4%.
- **Pennsylvania (~$1.1B rate base)** – Columbia Gas of Pennsylvania has a $100-$150mm annual long-term infrastructure replacement program recovered via forward test year rate cases and/or periodic tracker filings. This program was initially approved in 2012 & implemented in July of 2013 with a FTM test year. We estimate Columbia Gas of Pennsylvania's allowed ROE to be ~11.25%.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

NiSource Electric Operations

Exhibit 9: NiSource Electric



Source: NiSource

The NiSource Electric Operations segment houses the electricity business of NIPSCO and serves 460,000 customers across 20 counties in Northern Indiana. The segment's overall operations include power generation, transmission, and local distribution which are part of the Midcontinent Independent System Operator (MISO) transmission organization in the Midwestern portion of the United States. The supply assets incorporate traditional and renewable generation equipment, including natural gas, hydroelectric, wind, and coal generated supplies with a total system generation capability of 3,300 MW. Residential customers represent ~88% of NIPSCO's total electric customers, but account for only ~20% of total GWh volumes. Industrial customers comprise <1% of the customer base, but are responsible for 55% of volumes. Commercial customers represent 12% of total customers but 20% of total usage. Wholesale users comprise the remainder of both the customer base and transportation volumes.

Modernization Program

Similar to NIPSCO's gas distribution business, the electric operations also have a sizeable, long term infrastructure modernization program. The 7-year, $1.1B capital investment program was approved in mid-February of 2014. About 80% of the spending in this program is tracked, while the remaining 20% will be recovered via a rate increase to be settled in a rate case that must be filed within the seven-year period. We expect NiSource to earn a ~12% return on this program.

System Upgrades & Transmission Projects

NIPSCO is also undertaking several upgrade projects on its electric plants, including 3 flue gas desulfurization (FGD) facilities for $250mm each (one was completed at the end of 2013) and other environmental upgrades for $50-$60mm each. These programs all have an environmental cost recovery mechanism (ECRM), meaning they are 100% tracked and begin earning a return during construction. The electric upgrade projects present a ~$1B capital expenditure opportunity over the next five years.

NiSource is also building two electric transmission substations in Indiana that are FERC-approved projects. NiSource's total investment in these projects is expected to be $460mm, on which the company is authorized to earn up to ~12%.

Management Biographies

- **Joseph Hamrock**, President & CEO. Mr. Hamrock serves as President and Chief Executive Officer of NiSource. Mr. Hamrock was previously Executive Vice President and Group CEO for NiSource's Gas Distribution segment. Mr. Hamrock joined NiSource in 2012 after holding several senior positions with American Electric Power. Hamrock holds a bachelor's degree from Youngstown State University and a M.B.A. from the Massachusetts Institute of Technology.

- **Jim Stanley,** Executive Vice President & COO. Mr. Stanley is an Executive Vice President and COO of NiSource. Previously, Mr. Stanley served as EVP and Group CEO for NIPSCO. Mr. Stanley joined NiSource after holding several senior positions with Duke Energy's U.S. electric business. Mr. Stanley has over 35 years of experience in the energy industry, having previously worked for PSI Energy, Cinergy, and Duke Energy. Mr. Stanley has a B.Acy. from Ball State University.

- **Donald Brown,** Executive Vice President & CFO. Mr. Brown serves as Executive Vice President and CFO of NiSource. Previously, Mr. Brown served as Vice President and CFO at UGI Utilities, a division of UGI Corp. Mr. Brown also served in a number of finance and leadership roles at Constellation Energy, Progress Energy, and Deloitte. Mr. Brown has a B.S. in Economics from University of Pennsylvania and a M.B.A. from Duke University.

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Exhibit 10: NiSource Valuation Analysis

Jefferies

NiSource (NI)

Target P/E Analysis	
2016 EPS	$1.04
Average 2016 P/E	16.4x
Implied Price Target	**$17.05**

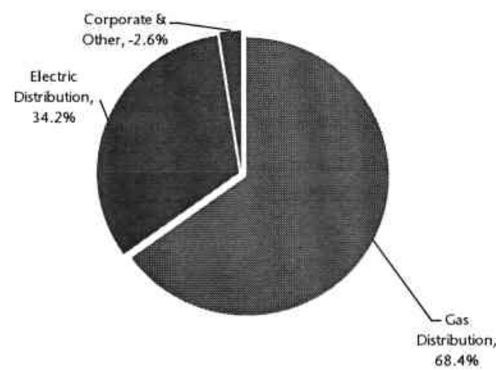
Target Yield Analysis	
3Q16 Dividend	$0.66
Average Historical Yield	3.05%
Target Yield	3.90%
Implied Price Target	**$16.92**

Assumptions	
EPS CAGR 2015-2019	4.5%
Dividend CAGR 2015-2019	5.2%
Terminal Growth Rate	2.0%
Stable Period Payout Ratio	62.6%
Stable Period ROE	4.8%
Implied 2015 EV/EBITDA	9.2x
Implied 2015 P/E	11.4x

WACC Calculations	
Risk Free Rate	3.0%
Beta	0.70
Equity Risk Premium	5.0%
Cost of Equity	6.5%
Cost of New Debt	6.0%
Tax Rate	35.2%
WACC	5.1%

Capital Structure	
Total Debt	$6,658
Market Cap	$5,364
Debt/Cap	55.4%
Equity/Cap	44.6%

2015E EBIT Composition



Average Price Target	$17.00

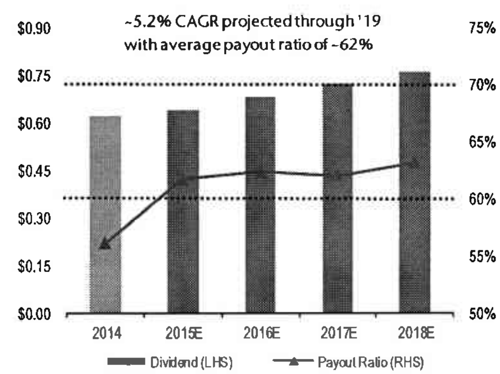
Total Return Expectations	
NI Current Price	$16.90
Appreciation to PT	0.6%
Yield over 12-months	3.7%
Total Return Potential	**4.3%**

Dividend Expectations		
2015E	$0.62	56%
2016E	$0.64	62%
2017E	$0.68	62%
2018E	$0.72	62%
2019E	$0.76	63%
	5.2%	

NiSource

2015 EBIT Contribution		
Gas Distribution	$575.9	68.4%
Electric Distribution	$287.5	34.2%
Corporate & Other	($21.6)	-2.6%
Total	$841.8	100.0%

Terminal WACC Calculations	
Risk Free Rate	4.5%
Adjusted Beta	0.80
Equity Risk Premium	5.0%
Terminal Cost of Equity	8.5%
Terminal Cost of New Debt	5.5%
Terminal WACC	5.8%
Terminal Cash Flow Growth Rate	2.0%
Terminal Dividend Growth Rate	2.0%



Source: Jefferies estimates, company data, FactSet

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

NI

Target | Estimate Change

July 1, 2015

Exhibit 11: NI Consolidated Statement of Income ($MM)

Consolidated Income Statement ($MM)	2010	2011	2012	2013	2014	1Q	2QE	3QE	4QE	2015E	1QE	2QE	3QE	4QE	2016E	2017E	2018E	2019E
Revenues	$5,817.9	$5,795.7	$5,099.9	$5,659.3	$6,456.3	$2,127.5	$1,416.5	$865.5	$1,404.4	$5,105.3	$1,988.3	$1,088.8	$900.6	$1,454.8	$5,432.6	$5,624.2	$5,829.6	$6,013.2
(Cost of Sales)	($2,379.2)	($2,334.1)	($1,525.2)	($1,815.5)	($2,224.2)	($806.0)	($394.7)	($244.1)	($584.3)	($2,028.8)	($981.8)	($410.9)	($254.5)	($606.3)	($2,253.4)	($2,334.2)	($2,419.6)	($2,494.0)
Net Revenue	$3,438.7	$3,461.6	$3,574.7	$3,843.8	$4,232.1	$1,321.5	$1,021.8	$621.4	$820.1	$3,076.5	$1,006.5	$677.9	$646.1	$848.6	$3,179.2	$3,290.0	$3,410.0	$3,519.2
(Operating & Maintenance Expenses)	($1,655.7)	($1,688.1)	($1,674.6)	($1,873.9)	($2,117.1)	($553.6)	($557.3)	($339.2)	($384.0)	($1,470.3)	($420.7)	($351.4)	($349.8)	($399.4)	($1,521.4)	($1,563.4)	($1,610.1)	($1,657.1)
(Depreciation & Amortization)	($596.3)	($542.8)	($563.9)	($577.3)	($605.5)	($157.5)	($153.6)	($125.8)	($125.8)	($499.8)	($127.0)	($125.1)	($127.8)	($127.7)	($507.6)	($515.8)	($524.2)	($532.5)
(Other Taxes)	($284.4)	($293.3)	($287.8)	($300.6)	($320.3)	($102.4)	($79.8)	($57.3)	($63.8)	($264.6)	($84.0)	($61.6)	($58.6)	($64.4)	($268.6)	($277.9)	($287.5)	($296.1)
(Gain on Sale of Assets)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
OPERATING INCOME BY DIVISION																		
Gas Distribution	$342.9	$438.7	$450.2	$448.8	$517.4	$305.8	$75.0	$13.0	$182.1	$575.9	$309.9	$81.7	$18.8	$189.9	$600.2	$629.7	$659.0	$673.2
Columbia Pipeline	$377.2	$360.4	$397.8	$422.8	$456.2	$157.7	$116.2											
Electric Operations	$218.3	$195.1	$237.6	$265.3	$287.7	$67.2	$61.0	$91.4	$67.9	$287.5	$70.9	$64.5	$96.6	$73.6	$305.6	$326.7	$353.7	$385.0
Corporate & Eliminations	($21.2)	($42.2)	($5.0)	($9.0)	($25.5)	($7.3)	($5.6)	($5.2)	($3.4)	($21.6)	($6.0)	($6.4)	($5.4)	($6.5)	($24.3)	($23.5)	($24.5)	($24.6)
Total Recurring Operating Income	**$902.3**	**$952.0**	**$1,080.6**	**$1,127.9**	**$1,235.8**	**$523.4**	**$246.5**	**$99.2**	**$246.6**	**$841.8**	**$374.9**	**$139.8**	**$110.0**	**$257.0**	**$881.6**	**$932.9**	**$988.2**	**$1,033.6**
Other Income / (Loss)	$3.8	($7.3)	$2.4	$24.2	$22.3	$7.1	$6.2	$2.5	$2.5	$18.3	$3.5	$3.5	$3.0	$3.1	$13.1	$12.9	$12.8	$12.8
Interest Expense - Net	($392.2)	($376.8)	($418.3)	($414.8)	($443.6)	($111.0)	($107.0)	($88.2)	($89.9)	($396.2)	($95.1)	($95.1)	($95.1)	($95.1)	($380.6)	($404.4)	($423.7)	($442.3)
Minority Interest (CPPL Public LP Units)						($6.9)	($7.8)			($14.7)								
Pretax Income	$513.9	$567.9	$664.7	$737.3	$814.5	$412.6	$137.9	$13.5	$159.2	$723.1	$283.2	$48.2	$17.8	$165.0	$514.2	$541.3	$577.3	$604.0
(Provision)/Benefit for Income Taxes	($189.7)	($196.2)	($231.8)	($254.8)	($293.5)	($147.7)	($46.2)	($5.7)	($56.5)	($256.1)	($99.1)	($16.9)	($6.2)	($57.7)	($180.0)	($189.5)	($202.1)	($211.4)
Effective Tax Rate	*36.9%*	*34.6%*	*34.9%*	*34.6%*	*36.0%*	*35.8%*	*33.5%*	*42.5%*	*35.5%*	*35.4%*	*35.0%*	*35.0%*	*35.0%*	*35.0%*	*35.0%*	*35.0%*	*35.0%*	*35.0%*
Net Income (from Continuing Operations)	$324.2	$371.7	$432.9	$482.5	$521.0	$264.9	$91.7	$7.7	$102.7	$466.9	$184.1	$31.3	$11.6	$107.2	$334.2	$351.9	$375.2	$392.6
Recurring Diluted EPS	**$1.16**	**$1.29**	**$1.44**	**$1.54**	**$1.65**	$0.83	$0.29	$0.02	$0.32	**$1.47**	$0.58	$0.10	$0.04	$0.33	**$1.04**	**$1.09**	**$1.15**	**$1.19**
Average # of diluted shares outstanding	280.1	288.5	300.4	313.6	316.3	317.4	317.7	318.4	319.1	318.2	319.9	320.6	321.3	322.0	320.9	323.9	327.1	330.3
Average # of basic shares outstanding	277.8	280.4	291.9	312.4	315.1	316.6	316.9	317.6	318.3	317.4	319.1	319.8	320.5	321.2	320.1	323.1	326.3	329.5
Dividends per Share	**$0.92**	**$0.92**	**$0.94**	**$0.98**	**$1.02**	$0.260	$0.260	$0.155	$0.155	**$0.83**	$0.16	$0.16	$0.17	$0.17	**$0.64**	**$0.68**	**$0.72**	**$0.76**
Payout Ratio	**79%**	**71%**	**65%**	**64%**	**62%**	31%	90%	638%	48%	**57%**	27%	159%	457%	50%	**61%**	**63%**	**63%**	**64%**
GAAP Revenue	$5,826.8	$5,797.5	$5,067.3	$5,657.6	$6,470.6	$2,149.7												
GAAP Operating Expense	($2,539.6)	($2,565.2)	($2,526.2)	($2,754.9)	($3,062.1)	($834.3)												
Non-GAAP Asset Sale Adjustments	($1.1)	($1.5)	$0.1	$18.7	$34.8	$5.3												
GAAP Asset Sale Adjustments	($0.8)	($15.5)	$3.5	$0.3	($3.3)	$0.0												
Total Asset Sale Adjustments	($1.9)	($17.0)	$3.6	$19.0	$31.5	$5.3												
GAAP Operating Margin	$3,447.6	$3,463.4	$3,542.1	$3,842.1	$4,246.4	$1,343.7												
Equity Earnings from Unconsolidated Affiliates	$14.9	$14.6	$32.2	$35.9	$46.6	$15.4												
GAAP Op Income	$906.1	$827.1	$1,051.7	$1,142.1	$1,262.4	$530.1												
Tax Effects & Other Adjusting Items	$47.8	$36.3	($2.8)	$0.3	($10.9)	($0.7)												
GAAP Net Income	$279.1	$283.1	$401.2	$497.0	$536.7	$277.8												
GAAP Basic EPS from Continuing Ops	$1.01	$1.01	$1.37	$1.59	$1.70	$0.88												

Source: NI reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

NI

Target | Estimate Change

July 1, 2015

Exhibit 12: NI Consolidated Balance Sheet ($MM)

Consolidated Balance Sheet ($MM)	2010	2011	2012	2013	1Q	2Q	3Q	4Q	2014	1Q	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E
Cash & equivalents	9	12	36	27	38	18	18	25	25	42	41	36	43	43	24	25	25	25
Accounts receivable	1,079	855	907	1,006	1,271	824	639	1,070	1,070	1,152	872	423	862	862	969	1,002	990	980
Inventory	428	566	496	500	226	469	668	583	583	269	499	703	603	603	677	703	729	752
Other current assets	932	816	913	626	785	743	687	788	788	798	798	798	798	798	798	798	798	798
Total current assets	**2,449**	**2,248**	**2,352**	**2,159**	**2,320**	**2,055**	**2,012**	**2,467**	**2,467**	**2,261**	**2,210**	**1,961**	**2,307**	**2,307**	**2,468**	**2,528**	**2,543**	**2,555**
Tangible fixed assets	**11,097**	**11,800**	**12,916**	**14,365**	**14,658**	**15,089**	**15,587**	**16,017**	**16,017**	**16,283**	**14,229**	**14,465**	**14,574**	**14,574**	**15,429**	**16,126**	**16,815**	**17,496**
Goodwill	3,677	3,677	3,677	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666	3,666
Other intangible fixed assets	476	460	381	363	273	270	267	265	265	262	262	262	262	262	262	262	262	262
Investment in affiliates	201	205	243	374	407	437	444	453	453	448	472	481	486	486	523	560	597	634
Other investments	2,038	2,318	2,275	1,727	1,783	1,741	1,735	1,999	1,999	1,979	1,979	1,979	1,979	1,979	1,979	1,979	1,979	1,979
Non-Current Assets	**6,393**	**6,660**	**6,576**	**6,130**	**6,130**	**6,115**	**6,112**	**6,383**	**6,383**	**6,355**	**6,378**	**6,387**	**6,393**	**6,393**	**6,430**	**6,467**	**6,504**	**6,541**
Total assets	**19,939**	**20,708**	**21,845**	**22,654**	**23,107**	**23,258**	**23,710**	**24,866**	**24,866**	**24,899**	**22,817**	**22,813**	**23,273**	**23,273**	**24,327**	**25,121**	**25,861**	**26,591**
Trade payables and other ST liabilities	2,233	1,960	2,018	1,938	1,998	1,800	1,719	2,111	2,111	1,982	1,908	1,658	2,000	2,000	2,186	2,238	2,254	2,275
Short term debt	1,417	1,687	1,284	1,241	1,343	1,631	1,330	1,844	1,844	777	592	615	615	615	662	696	727	758
Total current liabilities	**3,649**	**3,646**	**3,302**	**3,178**	**3,341**	**3,431**	**3,049**	**3,955**	**3,955**	**2,758**	**2,500**	**2,273**	**2,616**	**2,616**	**2,848**	**2,934**	**2,981**	**3,034**
Long term debt	5,936	6,267	6,819	7,593	7,639	7,641	8,397	8,156	8,156	7,958	6,066	6,300	6,305	6,305	6,778	7,124	7,444	7,761
Debt deemed provisions (e.g. pensions)	1,178	1,100	1,268	702	685	644	601	676	676	654	654	654	654	654	654	654	654	654
Deferred taxes (Revenue)	2,312	2,650	3,062	3,408	3,534	3,615	3,541	3,662	3,662	3,804	3,843	3,848	3,896	3,896	4,051	4,199	4,347	4,483
Other long term liabilities	1,939	2,048	1,840	1,886	1,897	1,898	2,115	2,243	2,243	2,256	2,263	2,276	2,274	2,274	2,289	2,315	2,341	2,363
Total liabilities	**15,016**	**15,711**	**16,290**	**16,767**	**17,095**	**17,230**	**17,703**	**18,691**	**18,691**	**17,429**	**15,326**	**15,351**	**15,745**	**15,745**	**16,619**	**17,226**	**17,766**	**18,294**
Common equity	4,923	4,997	5,554	5,887	6,012	6,028	6,007	6,175	6,175	6,524	6,545	6,516	6,582	6,582	6,761	6,949	7,149	7,351
Preferred equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	946	946	946	946	946	946	946	946	946
Shareholders' Equity	**4,923**	**4,997**	**5,554**	**5,887**	**6,012**	**6,028**	**6,007**	**6,175**	**6,175**	**7,470**	**7,491**	**7,463**	**7,528**	**7,528**	**7,708**	**7,895**	**8,095**	**8,297**
Total liabilities and equity	**19,939**	**20,708**	**21,845**	**22,654**	**23,107**	**23,258**	**23,710**	**24,866**	**24,866**	**24,899**	**22,817**	**22,813**	**23,273**	**23,273**	**24,327**	**25,121**	**25,861**	**26,591**
Check	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance Sheet Assumptions	**2010**	**2011**	**2012**	**2013**	**1Q**	**2Q**	**3Q**	**4Q**	**2014**	**1Q**	**2QE**	**3QE**	**4QE**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**
Accounts receivable (as % of EBIT)	119%	90%	84%	87%	256%	364%	343%	306%	85%	217%	345%	416%	346%	100%	108%	106%	99%	94%
Inventory (as % of operating expenses)	26%	34%	30%	27%	45%	88%	128%	104%	28%	49%	89%	207%	157%	41%	45%	45%	45%	45%
Trade payable & other S.T. liabilities (as % of opg. Exp.)	135%	116%	120%	103%	399%	338%	330%	376%	100%	358%	342%	489%	521%	136%	144%	143%	140%	137%
Working Capital	207.0	277.0	299	195	284.3	236.2	275.2	329.7	330	237.3	260.3	266.3	263.4	263	258	265	264	255
Changes in Working Capital	**(419.8)**	**(262.2)**	**(30.3)**	**55.3**	(166.8)	(13.4)	(6.3)	47.0	**(139.5)**	16.9	(23.0)	(6.0)	2.9	**(9.2)**	**5.2**	**(6.7)**	**1.2**	**9.0**
Average Collection Period	**68**	**54**	**65**	**65**	50	56	52	58	**60**	49	56	45	57	**62**	**65**	**65**	**62**	**60**
Inventory Days	**66**	**89**	**119**	**101**	19	115	267	96	**96**	30	115	265	95	**109**	**110**	**110**	**110**	**110**
Average Payable Period	**343**	**306**	**484**	**390**	169	441	686	346	**346**	221	440	625	315	**360**	**355**	**350**	**340**	**333**
Cash	9	12	36	27	38	18	18	25	25	42	41	36	43	43	24	25	25	25
Total Debt	7,353	7,954	8,103	8,834	8,982	9,272	9,727	9,999	9,999	8,735	6,658	6,915	6,921	6,921	7,440	7,820	8,171	8,519
Total Net Debt	**7,344**	**7,942**	**8,067**	**8,807**	8,944	9,254	9,710	9,974	**9,974**	8,693	6,617	6,878	6,878	**6,878**	**7,416**	**7,795**	**8,146**	**8,494**
Preferred Securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' Equity	4,923	4,997	5,554	5,887	6,012	6,028	6,007	6,175	6,175	7,470	7,491	7,463	7,528	7,528	7,708	7,895	8,095	8,297
Net Debt/Capital	**59.9%**	**61.4%**	**59.2%**	**59.9%**	59.8%	60.6%	61.8%	61.6%	**61.8%**	53.8%	46.9%	48.0%	47.7%	**47.7%**	**49.0%**	**49.7%**	**50.2%**	**50.6%**
	3%	3%	-4%	1%					3%					-23%	3%	1%	1%	1%
Invested capital	12,267	12,940	13,621	14,694	14,956	15,282	15,717	16,149	16,149	16,162	14,108	14,341	14,406	14,406	15,124	15,690	16,241	16,791
ROIC	7.5%	7.6%	8.2%	8.2%	5.0%	8.4%	8.2%	8.1%	8.1%	4.8%	8.5%	8.1%	7.7%	7.7%	6.1%	6.1%	6.3%	6.3%
ROE	6.6%	7.4%	8.2%	8.4%	8.8%	8.8%	8.6%	8.6%	8.6%	8.4%	8.1%	7.2%	6.2%	6.2%	4.4%	4.5%	4.7%	4.8%
EBITDA	1,502	1,488	1,647	1,729	645	375	340	504	1,864	688	406	228	375	1,360	1,402	1,462	1,525	1,579
Net Debt/EBITDA	**4.8x**	**5.0x**	**4.8x**	**4.8x**	4.8x	4.9x	5.0x	5.1x	**5.1x**	4.9x	4.5x	4.4x	4.3x	**4.3x**	**5.1x**	**5.2x**	**5.2x**	**5.3x**

Source: NI reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

NI

Target | Estimate Change

July 1, 2015

Exhibit 13: NI Consolidated Statement of Cash Flows ($MM)

Consolidated Statement of Cash Flows ($MM)	2010	2011	2012	2013	1Q	2Q	3Q	4Q	2014	1Q	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E
Operating activities																		
Net income	292	299	416	532	266	78	31	154	530	275	92	8	103	477	334	352	375	393
Depreciation, amortization & decommissioning	596	538	562	577	149	149	153	155	606	158	154	126	126	563	508	516	524	533
Deferred taxes	200	178	305	287	149	38	34	78	299	135	39	5	49	228	154	149	147	136
Net change in working capital	(420)	(262)	(30)	55	(167)	(13)	(6)	47	(140)	17	(23)	(6)	3	(9)	5	(7)	1	9
Other, including changes in provisions and other liabilities	51	117	23	(15)	(3)	5	23	(1)	25	20	8	13	(3)	37	16	26	26	22
Cash from operating activities	**720**	**870**	**1,276**	**1,437**	**394**	**257**	**236**	**433**	**1,320**	**604**	**269**	**146**	**277**	**1,296**	**1,017**	**1,036**	**1,074**	**1,093**
Investing activities																		
Capital expenditure - tangible fixed assets	(804)	(1,125)	(1,499)	(1,880)	(386)	(467)	(589)	(587)	(2,029)	(408)	(300)	(362)	(234)	(1,303)	(1,363)	(1,213)	(1,213)	(1,213)
Investment in affiliates	0	0	(20)	(125)	(31)	(24)	(9)	(5)	(69)	1	(24)	(9)	(5)	(37)	(37)	(37)	(37)	(37)
Net disposals/(acquisitions)	1	9	26	18	0	6	1	5	13	12	2,200	0	0	2,212	0	0	0	0
Other investment	(140)	(34)	68	96	9	(6)	(18)	(17)	(32)	6	0	0	0	6	0	0	0	0
Cash from investing activities	**(943)**	**(1,149)**	**(1,425)**	**(1,891)**	**(408)**	**(490)**	**(615)**	**(604)**	**(2,117)**	**(389)**	**1,876**	**(371)**	**(240)**	**877**	**(1,400)**	**(1,250)**	**(1,250)**	**(1,250)**
Financing activities																		
Inc./(dec.) in short term debt	1,280	(23)	(582)	(78)	114	289	210	266	878	(1,263)	(185)	23	1	(1,424)	47	34	31	31
Inc./(dec.) in long term debt	(728)	603	660	797	(9)	(4)	245	(4)	227	(8)	(1,892)	234	5	(1,661)	473	346	320	317
Inc./(dec.) in equity	13	24	374	44	(1)	7	6	8	20	1,154	13	13	13	1,192	50	55	60	60
Common stock dividends paid	(256)	(258)	(273)	(306)	(79)	(79)	(82)	(82)	(321)	(82)	(82)	(49)	(49)	(263)	(205)	(220)	(235)	(250)
Other cash from financing	(93)	(65)	(3)	(11)	0	0	0	(9)	(9)	0		0	0	0	0	0	0	0
Inc./(dec.) in preffered equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash from financing activities	**216**	**281**	**175**	**445**	**25**	**213**	**379**	**179**	**795.6**	**(199)**	**(2,147)**	**220**	**(31)**	**(2,156)**	**365**	**215**	**176**	**158**
Cash flow increase/(decrease) in cash	(7)	2	25	(9)	11	(20)	(0)	8	(1)	17	(1)	(5)	6	17	(18)	1	0	0
Non-cash movements in cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Forex Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net change in cash	**(7)**	**2**	**25**	**(9)**	11	(20)	(0)	8	**(1)**	17	(1)	(5)	6	**17**	**(18)**	**1**	**0**	**0**
Cash at the beginning of the year	**16**	**9**	**11**	**36**	27	38	18	18	**27**	25	42	41	36	**25**	**43**	**24**	**25**	**25**
Cash at the end of the year	**9**	**11**	**36**	**27**	38	18	18	25	**25**	42	41	36	43	**43**	**24**	**25**	**25**	**25**
Cash paid for income taxes	**69**	**9**	**8**	**8**	7	3	3	7	**19**	4	7	1	8	**20**	**26**	**41**	**55**	**76**
Cash Interest paid, net of amount capitalized	**393**	**369**	**387**	**387**	168	40	167	54	**429**	168	48	182	43	**441**	**317**	**339**	**357**	**357**
Accounting Free Cash Flow (CFO-CAPEX-Dividend)	(339)	(513)	(497)	(749)	(71)	(288)	(435)	(236)	(1030)	115	(113)	(265)	(7)	(270)	(551)	(397)	(374)	(371)
Free Cash Flow (NI+D&A-WC-CAPEX-DIV)	249	(284)	(764)	(1132)	117	(305)	(480)	(407)	(1075)	(74)	(114)	(271)	(58)	(517)	(731)	(558)	(550)	(547)

Cash Flow Assumptions	2010	2011	2012	2013	1Q	2Q	3Q	4Q	2014	1Q	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E
Net Working Capital	207	277	299	195	284	236	275	330	330	237	260	266	263	263	258	265	264	255
Total capex	804	1,125	1,499	1,880	386	467	589	587	2,029	408	300	362	234	1,303	1,363	1,213	1,213	1,213
Dividend declared per common share	$0.92	$0.92	$0.94	$0.98	$0.25	$0.25	$0.26	$0.26	$1.02	$0.26	$0.26	$0.16	$0.16	$0.83	$0.64	$0.68	$0.72	$0.76
Payout ratio	**79.5%**	**71.4%**	**65.2%**	**63.7%**	31.8%	101.5%	188.5%	54.4%	**61.9%**	31.2%	90.1%	637.5%	48.2%	**56.6%**	**61.5%**	**62.6%**	**62.8%**	**63.9%**
Total gross debt	**7,353**	**7,954**	**8,103**	**8,834**	**8,982**	**9,272**	**9,727**	**9,999**	**9,999**	**8,735**	**6,658**	**6,915**	**6,921**	**6,921**	**7,440**	**7,820**	**8,171**	**8,519**
Cash	9	12	36	27	38	18	18	25	25	42	41	36	43	43	24	25	25	25
Net debt	7,344	7,942	8,067	8,807	8,944	9,254	9,710	9,974	9,974	8,693	6,617	6,878	6,878	6,878	7,416	7,795	8,146	8,494
Current assets ex-cash	2,440	2,237	2,316	2,132	2,282	2,037	1,994	2,441	2,441	2,219	2,169	1,925	2,264	2,264	2,444	2,503	2,518	2,530
Cash/current assets ex-cash	0.4%	0.5%	1.6%	1.3%	1.7%	0.9%	0.9%	1.0%	1.0%	1.9%	1.9%	1.9%	1.9%	1.9%	1.0%	1.0%	1.0%	1.0%
Cash Tax Rate	**13.4%**	**1.6%**	**1.2%**	**1.1%**	1.8%	2.4%	3.4%	3.1%	**2.4%**	1.0%	5.0%	5.0%	5.0%	**2.7%**	**5.0%**	**7.5%**	**9.5%**	**12.5%**
Cash Interest Rate	**5.5%**	**4.9%**	**4.9%**	**4.6%**	7.5%	1.7%	7.0%	2.2%	**4.5%**	7.2%	1.9%	7.3%	1.7%	**6.0%**	**4.4%**	**4.4%**	**4.5%**	**4.3%**

Interest Expense Calculation (No circularities)	2010	2011	2012	2013	1Q	2Q	3Q	4Q	2014	1Q	2QE	3QE	4QE	2015E	2016E	2017E	2018E	2019E
Gross average debt pre-interest	7,184	7,500	7,931	8,344	8,834	8,982	9,272	9,727	9,495	9,999	8,735	6,786	6,917	7,307	7,180	7,630	7,995	8,346
Interest Rate (implied on gross debt, which includes preferred equity)	**5.5%**	**5.0%**	**5.3%**	**5.0%**	1.22%	1.20%	1.15%	1.17%	**4.7%**	1.19%	1.23%	1.30%	1.30%	**5.4%**	**5.3%**	**5.3%**	**5.3%**	**5.3%**
Interest Payable	392	377	418	415	109	109	110	116	444	111	107	88	90	396	381	404	424	442
Interest Capitalized	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Payable charged to Income	392	377	418	415	109	109	110	116	444	111	107	88	90	396	381	404	424	442

Source: NI reports, Jefferies estimates

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Company Description

NiSource, Inc. (NYSE: NI) is a diversified energy holding company whose subsidiaries provide natural gas, electricity, and other energy products & services to nearly 4 million US customers. The Company operates through three segments: Gas Distribution, Columbia Pipeline Group, and Electric. The Gas Distribution operations provide natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. Columbia Pipeline Group offers gas transportation and storage services for Local distribution companies, marketers and industrial and commercial customers located in Northeastern, Mid-Atlantic, Midwestern and Southern states. The Electric Operations segment provides electric service in various counties in the northern part of Indiana. NiSource was founded in 1987, is incorporated under the laws of the state of Delaware, and is headquartered in Merrillville, IN.

Analyst Certification:

I, Christopher Sighinolfi, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Christopher Tillett, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Corey Goldman, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

For Important Disclosure information on companies recommended in this report, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 212.284.2300.

Explanation of Jefferies Ratings

Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/ or Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

Monitor - Describes securities whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Jefferies Franchise Picks

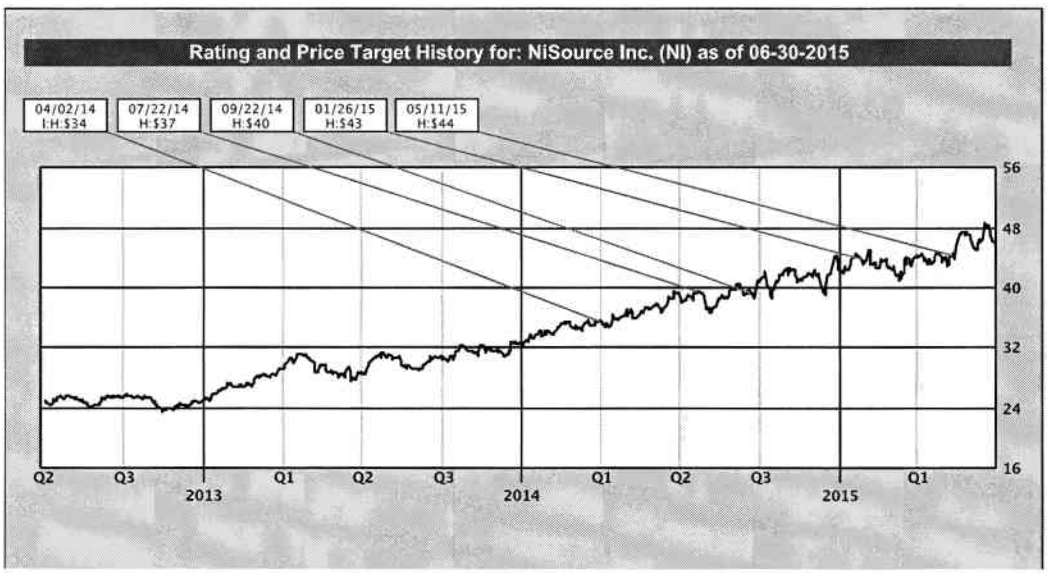
Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

Risks which may impede the achievement of our Price Target

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.

Other Companies Mentioned in This Report

- Columbia Pipeline Group, Inc. (CPGX: NA, HOLD)
- ConocoPhillips Corporation (COP: $61.41, HOLD)
- Marathon Oil (MRO: $26.54, BUY)
- ONE Gas Inc. (OGS: $42.56, HOLD)
- ONEOK Inc. (OKE: $39.48, BUY)
- Southwest Gas Corporation (SWX: $53.21, BUY)
- Spectra Energy Corp. (SE: $32.60, HOLD)
- The Williams Companies, Inc. (WMB: $57.39, BUY)



Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	1083	52.29%	303	27.98%
HOLD	822	39.69%	163	19.83%
UNDERPERFORM	166	8.02%	13	7.83%

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Other Important Disclosures

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC ("Jefferies") group companies:

United States: Jefferies LLC which is an SEC registered firm and a member of FINRA.

United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

India: Jefferies India Private Limited (CIN - U74140MH2007PTC200509), which is licensed by the Securities and Exchange Board of India as a Merchant Banker (INM000011443), Research Analyst (INH000000701) and a Stock Broker with Bombay Stock Exchange Limited (INB011491033) and National Stock Exchange of India Limited (INB231491037) in the Capital Market Segment; located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051, India; Tel +91 22 4356 6000.

This material has been prepared by Jefferies employing appropriate expertise, and in the belief that it is fair and not misleading. The information set forth herein was obtained from sources believed to be reliable, but has not been independently verified by Jefferies. Therefore, except for any obligation under applicable rules we do not guarantee its accuracy. Additional and supporting information is available upon request. Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this material is distributed in the United States ("US"), by Jefferies LLC, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic Area this report is issued and/or approved for distribution by Jefferies International Limited and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed. Jefferies International Limited has adopted a conflicts management policy in connection with the preparation and publication of research, the details of which are available upon request in writing to the Compliance Officer. Jefferies International Limited may allow its analysts to undertake private consultancy work. Jefferies International Limited's conflicts management policy sets out the arrangements Jefferies International Limited employs to manage any potential conflicts of interest that may arise as a result of such consultancy work. For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, this material is provided by Jefferies Singapore Limited pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Cap. 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact Jefferies Singapore Limited, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the PRC. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India this report is made available by Jefferies India Private Limited. In Australia this information is issued solely by Jefferies International Limited and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies International Limited is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. Jefferies International Limited has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services licence under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, its associates or affiliates, and its respective officers, directors, and employees may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. Upon request Jefferies may provide specialized research products or services to certain customers focusing on the prospects for individual covered stocks as compared to other covered stocks over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, the analyst has a reasonable basis and any inconsistencies can be reasonably explained. This material does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments. This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of securities. None of Jefferies, any of its affiliates or its research analysts has any authority whatsoever to make any representations or warranty on behalf of the issuer(s). Jefferies policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

Please see important disclosure information on pages 15 - 18 of this report.

to the publication of a research report containing such rating, recommendation or investment thesis. Any comments or statements made herein are those of the author(s) and may differ from the views of Jefferies.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Jefferies research reports are disseminated and available primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Jefferies. Neither Jefferies nor any officer nor employee of Jefferies accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

For Important Disclosure information, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 1.888.JEFFERIES

Christopher Sighinolfi, CFA, Equity Analyst, (212) 707-6420, csighino@jefferies.com

J.P.Morgan

North America Equity Research
09 July 2015

NiSource Inc.

LT Growth, Low-Risk Opportunity Not Baked-In; Assuming at OW

Overweight

NI, NI US

Price: $17.15

Price Target: $20.00

Electric & Gas Utilities

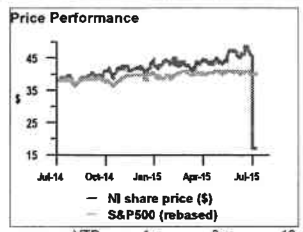
Christopher Turnure AC

(1-212) 622-5696

christopher.turnure@jpmorgan.com

Bloomberg JPMA TURNURE <GO>

J.P. Morgan Securities LLC



	YTD	1m	3m	12m
Abs	-59.7%	-62.0%	-61.3%	-55.2%
Rel	-60.8%	-62.1%	-61.5%	-60.4%

We are assuming coverage of NI with an OW rating and $20 price target (under pre-spin J.P. Morgan coverage, we had a Neutral rating,). We see the company's investment potential with its portfolio of eight utilities in seven states as top-tier versus both electric and gas peers. We expect this capital to be deployed accretively given solid authorized ROEs, an efficient balance sheet with elevated leverage, and an array of low-lag regulatory constructs. Given these underlying factors, including 6-8%+ rate base growth potential, we expect NI to achieve the top end of the 4-6% long-term EPS growth guidance with ample room for any minor risks along the way. We believe that a near-term premium P/E valuation versus electric peers, a need for equity and a focus on the more growth-oriented CPGX may be holding back some investors. We see shares outperforming as post-spin capital and growth plans come more clearly into focus and the low risk, high growth story is fully appreciated by the proper shareholder base.

- **Top-tier investment pipeline across electric and gas footprint.** NiSource is in the early stages of a multi-year elevated spend cycle, driven by electric and gas infrastructure replacement opportunities across its eight regulatory jurisdictions. Spending has ramped up quickly over the last four years, and is driven primarily by the need to replace gas infrastructure and, to a lesser degree, transmission and distribution at the electric utility.
- **Capital deployment accretive given solid ROEs, parent leverage and low-lag regulatory constructs.** We estimate the company to be earning in the high 9% to low 10% range on its regulated ~$8.0Bn and growing rate base over the next 3 years. Solid 10.0-10.2% authorized ROEs on incremental capital and low-lag regulatory constructs in nearly all jurisdictions distinguish NI's portfolio of utilities from most peers. For these reasons, we find the top end of the 4-6% EPS long-term growth guidance achievable, driven by 6-8%+ rate base growth.
- **Initiating at OW with a $20 December 2016 price target.** Our sum-of-the-parts based target uses 2018E EPS and a premium to pure regulated electric and gas utility peers on a P/E basis. The stock's current 2016 P/E multiple of 16.0x appears to be pricing in growth relative to electric and gas peers at 14.7-16.6, but we expect the growth pipeline and regulatory environments to drive both above-average and lower-risk growth over the long term and justify a higher multiple, in our view.

NiSource Inc. (NI;NI US)

FYE Dec	2014A	2015E	2016E	2017E	2018E
EPS ($)					
Q1 (Mar)	0.82	0.85A	-	-	-
Q2 (Jun)	0.25	0.23	-	-	-
Q3 (Sep)	0.14	0.02	-	-	-
Q4 (Dec)	0.51	0.31	-	-	-
FY	1.72	0.79	1.07	1.14	1.20

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data	
Price ($)	17.15
Date Of Price	08-Jul-15
52-week Range ($)	19.32-14.15
Market Cap ($ mn)	5,420.04
Fiscal Year End	Dec
Shares O/S (mn)	316
Price Target ($)	20.00
Price Target End Date	31-Dec-16

See page 10 for analyst certification and important disclosures.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Table of Contents

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Investment Thesis

NiSource Inc. (NI)

Overweight

Top-tier investment pipeline across electric and gas footprint

NiSource is in the early stages of a multi-year elevated spend cycle, driven by electric and gas infrastructure replacement opportunities across its eight regulatory jurisdictions. Spending has ramped up quickly over the last four years, and is driven primarily by the need to replace gas infrastructure and, to a lesser degree, transmission and distribution at the electric utility. Political and regulatory receptiveness toward the need for pipeline safety has increased following several high-profile accidents over the last half decade. NI's particularly supportive regulatory frameworks allow for this spending to continue at the $1.4Bn 2016E pace for years to come, driving total rate base growth of at least 6-8% annually. The $30Bn in total non-maintenance required capital guided by the company over long term represents 27-29 years at the current annual non-maintenance ~$1.1Bn pace. This growth puts the company in the top tier of both electric and gas utility peers.

Capital deployment accretive given solid ROEs, parent leverage and low-lag regulatory constructs

We estimate the company to be earning in the high 9% to low 10% range on its regulated ~$8.0Bn and growing rate base over the next 3 years. Solid 10.0-10.2% authorized ROEs on incremental capital and low-lag regulatory constructs in nearly all jurisdictions distinguish NI's portfolio of utilities from most peers. Equally importantly, the company is able to maintain a ~64% net debt-to-capitalization ratio while holding on to investment grade credit ratings. This is high versus the 50-55% ratio seen at most peers, and allows for very efficient and accretive capital deployment. Thanks in part to an absence of a cash tax liability for the next several years and a $50MM annual DRIP program, we only assume minimal incremental equity is needed through 2018 despite elevated capex.

Top-end 6% EPS growth achievable, driven by 6-8%+ rate base growth

The high levels of capital spend drive a guided 6-8% rate base growth rate through 2018. Given our expectation of a need for only minimal equity and the low-lag regulatory constructs, we see the higher end of the 4-6% EPS guide growth CAGR as achievable. Key programs, such as Indiana's SB 506 and Pennsylvania's forward test year construct, allow for a high degree of both O&M expense pass-through and timely returns on and of capital, with lag limited to under 1 year for the majority of rate base. Additionally, NIPSCO electric benefits from an environmental capex rider and its FERC-level transmission assets receive the standard forward-looking rates with construction-work-in progress.

Relatively lower risk story with minor uncertainties more than priced in

NiSource's regulatory constructs and largely electric and gas transmission infrastructure base make it a relatively lower risk story to begin with versus other gas and electric utility peers. As the company establishes itself as an independent entity from Colombia Pipeline Group, we expect more capex and growth quantity and timing details to materialize. We believe several outstanding risks are more than priced into the shares at their current valuation. These include downside risk to the current elevated capex, lower authorized ROE for the two IN transmission projects, steel industry-related load destruction and the IN electric multi-year infrastructure rider re-filing process.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Risks to Rating and Price Target

Industrial customer electric load could change at any time

The company generates ~5% of total pro-forma gross margin from steel and steel-related industries at NIPSCO in northern Indiana. Though industrial demand has generally been resilient over the last five years, recent demand and pricing pressures have resulted in steel production cutbacks and further headwinds could result in falling sales volume at the utility. Should industrial load experience more weakness than we expect, our earnings forecasts could be negatively impacted.

Regulatory changes at the state or federal level could affect authorized revenues

Rates charged to the company's electric and gas customers are set by seven state utility commissions and the Federal Energy Regulatory Commission (FERC). Given high capital spending levels, timely rate relief is a necessity for the company to continue to grow earnings. Any meaningful positive or negative change to the regulatory environments may cause future earnings to differ materially from current expectations. Such change could be the result of vagaries in political, consumer or general regulatory sentiment.

External equity needs could come sooner or in a larger amount than expected

We expect net debt-to-capitalization and debt-to-EBITDA levels of 63-64% and 5.1-5.3x, respectively, through 2018 for the consolidated pro-forma company. Credit metrics have recently been set at investment grade but this leverage is above peer averages. Given the high levels of capital spending for the foreseeable future, we model a need for external equity on top of the $50MM/year of dividend reinvestment plan usage by 2017. We generally see the strong regulatory constructs underlying NiSource's gross margin as generating adequate cash flow to limit equity needs, and note management has incorporated an issuance into its 4-6% long-term EPS growth guidance. Should equity needs come relatively quickly following the Colombia Pipeline separation, or come in an amount exceeding market expectations, our earnings estimates could be negatively impacted.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

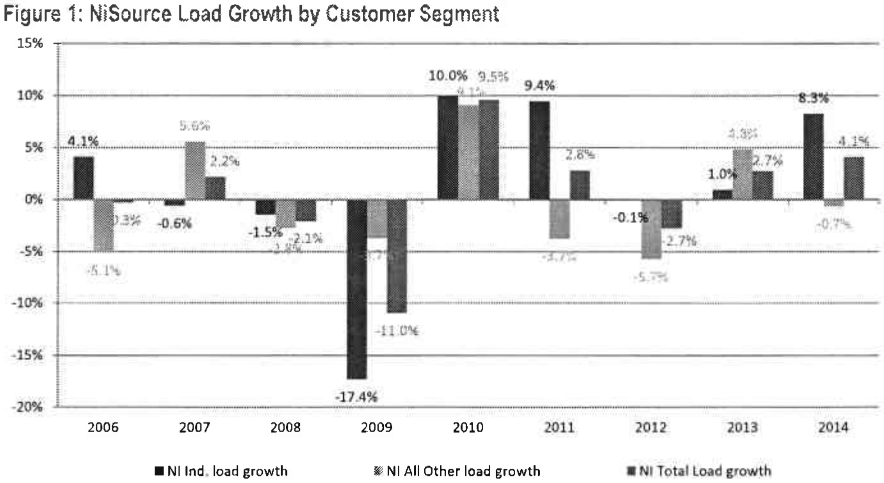
Company Description

NiSource generates 70% and 30% of net income from its gas utility and electric utility businesses, respectively. The gas utilities own local gas distribution systems in 7 states with a total rate base of $5Bn, the largest of which are in Pennsylvania, Ohio and Indiana. The electric utility owns generation, transmission and distribution assets in northern Indiana with a total rate base of $3Bn. Most of the company's utility portfolio is in a stage of elevated capital spending to replace aging infrastructure and benefit from favorable rate constructs offered by the respective state utility commissions. NiSource completed its separation into NI and CPGX, its gas pipeline and gathering business, on July 2, 2015.

Steel-Intensive Industrial Footprint Contribution Minimal

NIPSCO's northern Indiana electric service territory is located in a major steel-producing region and generates ~15% of total gross margin from this industry, or 5% total company, pro-forma. Recent currency and global demand factors have pressured the industry, resulting in production cutbacks in this electricity-intensive manufacturing process. Utilities typically structure large industrial customer contracts to be mostly fixed-fee based, and NIPSCO on average generates about two-thirds of gross margin from fixed fees, insulating it from near-term volume fluctuations. Fixed charges are still vulnerable, however, and we calculate a drastic loss of 10% of total industrial load on a run-rate basis could have a $0.06 impact per share. Given the small scale of the impact and the fact that management has incorporated a zero load growth scenario into its 4-6% EPS growth CAGR plan, we see this as a minimal risk.

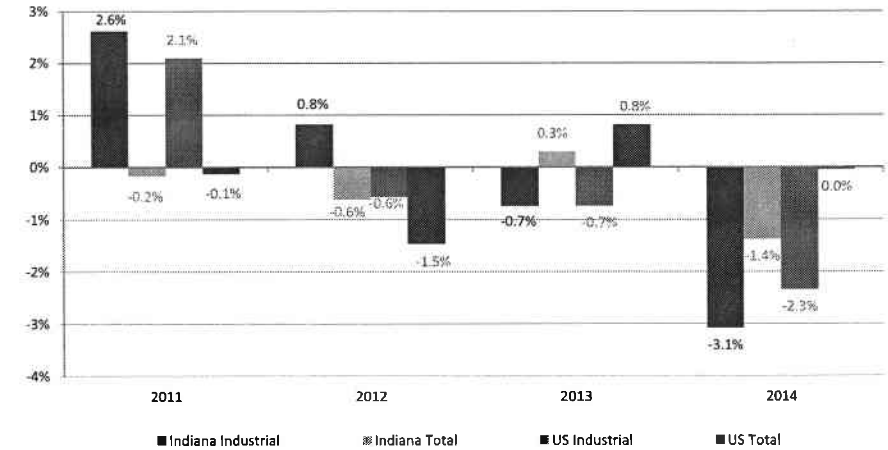
Figure 1: NiSource Load Growth by Customer Segment



Source: Company reports

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Figure 2: Indiana & US Annual Load Growth: Industrial vs. Total



Source: Electric Power Annual 2010-2014

Transmission ROE Cut Impact Limited

NIPSCO's FERC-level transmission assets are limited to two large projects slated for completion by 2018, for a total capital investment of $500MM. FERC's stable and relatively high transmission ROE's have been under attack for years amid the low interest rate environment. NIPSCO's projects are currently authorized forward looking test years, construction work in progress and a 12.88% ROE. A November 2013-filed challenge to all MISO transmission owners, including NIPSCO, is widely expected to result in a significant reduction to authorized ROE's, however. We expect a cut of somewhere between 50-150bp depending on where interest rates and utility peers go until the expected conclusion of the case in late 2016. We calculate a $0.01 per share negative impact using a 150bp cut, and note this is likely fully baked into management and investor expectations.

Table 1: FERC-Level Transmission ROE Exposure

500	Rate Base as of year-end 2018
60%	Equity Layer
1.5%	ROE Assumed Change
4.5	Net Income Impact
0.01	EPS Impact

Source: J.P. Morgan estimates, Company data. $MM except EPS

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

IN infrastructure rider to be back on track soon

Indiana's 2013 Senate Bill 560 allows for recovery of investments in electric and infrastructure outside the scope of a full rate case, providing a low-lag recovery mechanism for most spend at the prevailing 10.2% ROE in exchange for a full rate case filing every 7 years. The Indiana Utility Regulatory Commission (IURC) approved the company's first 7-year plan under SB 560 in early 2014 but the decision was struck down by the Court of Appeals of Indiana in April 2015. The court upheld all key elements of the law, but required more clarification on capex for years 2 through 7 of the plan. This will cause around a 1 year delay in implementation, but we do not expect any impact on the size or any other aspects of the overall plan and its contribution to rate base and earnings growth.

Financial Outlook

Our EPS estimates imply annual growth of 6.0% and 5.8% in 2017 and 2018, respectively, and at \$1.07, fall in the upper half of management's \$1.00-1.10 guidance for 2016. The gas businesses are driven by rate base growth of 9-12% and benefit from low-lag recovery of and on capital and high levels of O&M pass-through mechanisms. The electric business is driven by rate base growth of 2-5% and also benefits from low-lag thanks to our assumption of a revived TDSIC program by the IURC as well as the two FERC-level transmission projects scheduled for completion in late 2018.

We forecast dividend growth of 5% through 2018, in-line with management's guided 4-6% rate, but a conservative estimate given it implies a payout ratio below the company's 60-70% payout target, in our opinion. The company maintains 63-64% net debt-to-capitalization and 5.1-5.3x debt-to-EBITDA through 2018, leaving it as one of the most levered names and most efficient balance sheet users among peers. We also model external equity of \$100MM in 2017 in order to maintain investment grade ratings given high capital spending levels.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Valuation

We are establishing a December 2016 price target of $20/share. Our target is based on a sum-of-the-parts analysis and uses our 2018E electric and gas segment EPS forecasts. We value the gas segment using a 17.7x P/E multiple, a premium to gas utility peers due to the company's high rate base growth, large portfolio of utilities and favorable rate constructs. We value the electric segment using a 15.3x P/E multiple, a premium to pure regulated electric utility peers due to the favorable rate construct in IN and near-term transmission-driven growth potential.

Table 2: SOTP Analysis

	2018E EPS	P/E	Price
Electric Utilities	0.46		
Corp & Other	(0.10)		
Electric net of Corp	**0.36**	**15.3x**	**$ 5.5**
Gas Utilities	1.04		
Corp & Other	(0.20)		
Gas Net of Corp	**0.84**	**17.7x**	**$ 14.9**
Dec 2016 NI Price Target			**$ 20**

Source: J.P. Morgan estimates.

Table 3: Regulated Electric & Gas Utility Comparables

Ticker	Company	Price	JPM Rating	EPS Estimates 2015E	2016E	2017E	P/E Multiple 2015E	2016E	2017E	Earnings Growth 2016E	2017E	Div Yield	Div Payout	FY15 Dividend
Electric														
IDA	IDACORP Inc	58.91		3.72	3.81	3.91	15.8x	15.5x	15.1x	2.2%	2.7%	3.2%	50%	1.88
VVC	Vectren Corp	40.48		2.47	2.64	2.80	16.4x	15.4x	14.4x	6.6%	6.3%	3.8%	61%	1.52
GXP	^Great Plains Energy	25.49	N	1.53	1.84	1.92	16.7x	13.9x	13.3x	20.3%	4.3%	3.8%	64%	0.98
WR	^Westar Energy Inc	36.22	UW	2.21	2.42	2.52	16.4x	15.0x	14.4x	9.5%	4.1%	4.0%	65%	1.44
PNW	Pinnacle West Capital	60.01		3.85	4.02	4.21	15.6x	14.9x	14.2x	4.6%	4.7%	4.0%	62%	2.38
SCG	SCANA Corp	53.39		3.72	3.89	4.15	14.4x	13.7x	12.9x	4.6%	6.7%	4.1%	59%	2.18
LNT	Alliant Energy Corp	60.37		3.62	3.83	4.02	16.7x	15.8x	15.0x	5.7%	5.0%	3.6%	61%	2.20
CMS	CMS Energy Corp	33.88		1.88	2.01	2.15	18.0x	16.9x	15.7x	6.6%	7.2%	3.4%	62%	1.16
Gas														
NWN	Northwest Natural Gas	44.12		2.19	2.26	2.48	20.2x	19.5x	17.8x	3.3%	9.6%	4.2%	85%	1.86
OGS	ONE Gas Inc	44.88		2.15	2.33	2.58	20.8x	19.3x	17.4x	8.2%	10.9%	2.7%	56%	1.20
SWX	Southwest Gas Corp	55.71		3.13	3.35	3.51	17.8x	16.6x	15.9x	7.0%	4.9%	2.9%	52%	1.62
GAS	AGL Resources Inc	48.72		2.98	3.04	3.19	16.3x	16.0x	15.3x	2.1%	4.7%	4.2%	68%	2.04
SJI	South Jersey Industries	25.40		1.65	1.68	1.78	15.4x	15.2x	14.2x	1.5%	6.4%	4.0%	61%	1.01
PNY	^Piedmont Natural Gas*	36.88	N	1.87	1.96	2.10	19.7x	18.8x	17.6x	4.8%	7.1%	3.6%	71%	1.32
WGL	WGL Holdings Inc*	55.54		2.89	2.98	3.23	19.2x	18.6x	17.2x	3.3%	8.1%	3.3%	64%	1.85
NJR	New Jersey Resources*	28.86		1.72	1.70	1.89	16.8x	17.0x	15.3x	-1.2%	11.5%	3.1%	52%	0.90
ATO	^Atmos Energy*	53.80	OW	3.00	3.21	3.42	17.9x	16.8x	15.7x	7.0%	6.5%	2.9%	52%	1.56
LG	^Laclede Group*	53.97	UW	3.16	3.29	3.36	17.1x	16.4x	16.1x	4.1%	2.1%	3.4%	58%	1.84
NI	^NiSource Inc	17.10	OW	0.79	1.07	1.14	21.6x	16.0x	15.0x	35.4%	6.5%	3.6%	78%	0.62
Electric Average							**16.2x**	**15.1x**	**14.4x**					
Gas Average							**18.1x**	**17.4x**	**16.2x**					

Source: J.P. Morgan estimates, Bloomberg; ^ JPM Estimates, *FY end is not December. Priced as of 7/7/2015 Close.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

NiSource Inc.: Summary of Financials

Income Statement - Annual	FY14A	FY15E	FY16E	FY17E	Income Statement - Quarterly	1Q15A	2Q15E	3Q15E	4Q15E
Sales	6,471	6,271	6,369	6,484	Sales	2,150A	1,783	1,408	1,613
COGS	(2,224)	(3,224)	(3,224)	(3,224)	COGS	(806)A	(806)	(806)	(806)
D&A	(606)	(499)	(521)	(554)	D&A	(158)A	(155)	(123)	(125)
Operations and maintenance	(2,457)	(1,729)	(1,723)	(1,743)	Operations and maintenance	(677)A	(613)	(385)	(442)
Other expenses	-	-	-	-	Other expenses	-	-	-	-
Total operating expenses	3,062	2,228	2,245	2,297	Total operating expenses	834A	768	508	567
Other income / (expense)	100	14	0	0	Other income / (expense)	28A	19	0	0
EBIT	**1,285**	**833**	**901**	**963**	**EBIT**	**537A**	**227**	**95**	**240**
EBITDA	**1,890**	**1,332**	**1,422**	**1,517**	**EBITDA**	**695A**	**382**	**218**	**365**
Interest expense	(444)	(354)	(347)	(366)	Interest expense	(111)A	(109)	(84)	(83)
Income tax provision	(310)	(227)	(210)	(227)	Income tax provision	(151)A	(45)	(4)	(60)
Tax rate	36.9%	47.4%	38.0%	38.0%	Tax rate	35.4%A	38.0%	38.0%	38.0%
Discontinued operations and other	0	0	0	0	Discontinued operations and other	0A	0	0	0
Preferred dividends	-	-	-	-	Preferred dividends	-	-	-	-
Net income	**531**	**252**	**343**	**370**	**Net income**	**268A**	**73**	**7**	**97**
Total non-recurring items	-	-	-	-	Total non-recurring items	-	-	-	-
Net income (Recurring)	**543**	**252**	**343**	**370**	**Net income (Recurring)**	**268A**	**73**	**7**	**97**
Diluted shares outstanding	**315**	**317**	**320**	**326**	**Diluted shares outstanding**	**317A**	**317**	**318**	**318**
Diluted EPS	**1.72**	**0.79**	**1.07**	**1.14**	**Diluted EPS**	**0.85A**	**0.23**	**0.02**	**0.31**
DPS ($)	0.83	0.64	0.67	0.70	DPS ($)	0.16A	0.16	0.16	0.16
Payout ratio	49.2%	80.1%	62.4%	61.7%	Payout ratio	18.3%A	67.0%	783.0%	53.3%

Balance Sheet and Cash Flow Data	FY14A	FY15E	FY16E	FY17E	Ratio Analysis	FY14A	FY15E	FY16E	FY17E
Cash and cash equivalents	25	0	0	0	Sales growth	279.5%	(3.1%)	1.6%	1.8%
Current assets	2,467	1,230	1,370	1,498	EBITDA growth	10.8%	(29.5%)	6.8%	6.7%
PP&E	16,017	11,924	12,805	13,534	EBIT growth	13.9%	(35.2%)	8.1%	6.9%
Non-current assets	6,383	4,430	4,430	4,430	Net income (recurring) growth	14.0%	(53.5%)	36.2%	7.8%
Total assets	**24,866**	**17,584**	**18,605**	**19,461**					
Current liabilities	3,955	2,329	2,640	2,658	Diluted EPS growth	-	(52.9%)	35.0%	6.0%
Long-term Debt	8,156	6,262	6,572	6,882					
Preferred stock	-	-	-	-	Gross margin	65.6%	48.6%	49.4%	50.3%
Other non-current liabilities	6,580	5,023	5,233	5,460	Operating margin	19.9%	13.3%	14.1%	14.8%
Common equity	6,175	3,970	4,160	4,461					
Total liabilities & equity	24,866	17,584	18,605	19,461	Debt / Capital (book)	61.2%	62.5%	63.5%	62.9%
					Times interest earned	4.3	3.8	4.1	4.1
Net income	530	452	343	370					
D&A	606	560	521	554					
Change in working capital	(140)	(78)	(140)	(128)	ROE	17.6%	5.0%	8.4%	8.6%
Change in other assets	325	868	210	227	Return on capital employed (ROCE)	6.7%	3.3%	5.1%	5.1%
Net operating cash flow	**1,321**	**1,803**	**935**	**1,023**					
Cash flow from investing activities	**(2,117)**	**(1,547)**	**(1,403)**	**(1,283)**					
Net common equity issued/(repurchased)	20	1,179	50	150					
Net debt issued/(repurchased)	1,106	(1,271)	310	310					
Common dividends paid	(321)	(263)	(204)	(218)					
Other financing activity	(9)	0	0	0					
Cash flow from financing activities	**796**	**(355)**	**156**	**242**					
Increase/(decrease) in cash	0	(99)	(311)	(18)					
Cash at beginning of the period	27	25	0	0					
Cash at end of the period	25	0	0	0					

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

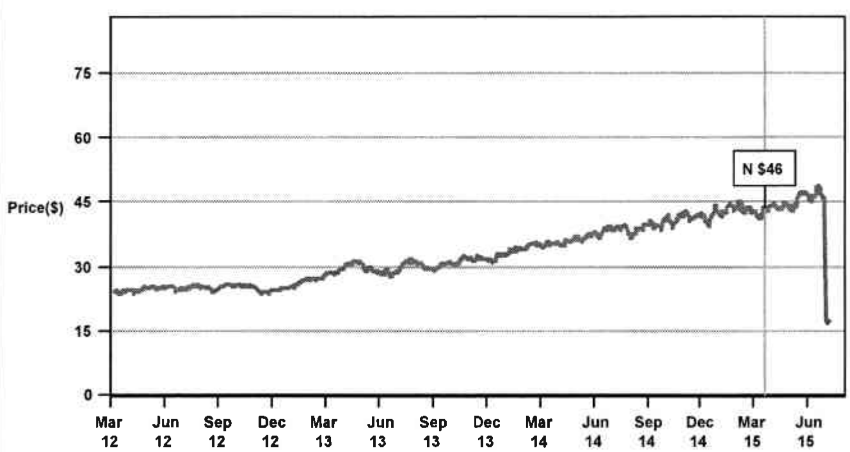
Analyst Certification: The research analyst(s) denoted by an "AC" on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an "AC" on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. For all Korea-based research analysts listed on the front cover, they also certify, as per KOFIA requirements, that their analysis was made in good faith and that the views reflect their own opinion, without undue influence or intervention.

Important Disclosures

- **Market Maker:** JPMS makes a market in the stock of NiSource Inc..
- **Client:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients: NiSource Inc..
- **Client/Investment Banking:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as investment banking clients: NiSource Inc..
- **Client/Non-Investment Banking, Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, securities-related: NiSource Inc..
- **Client/Non-Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-securities-related: NiSource Inc..
- **Investment Banking (past 12 months):** J.P. Morgan received in the past 12 months compensation from investment banking NiSource Inc..
- **Investment Banking (next 3 months):** J.P. Morgan expects to receive, or intends to seek, compensation for investment banking services in the next three months from NiSource Inc..
- **Non-Investment Banking Compensation:** J.P. Morgan has received compensation in the past 12 months for products or services other than investment banking from NiSource Inc..

Company-Specific Disclosures: Important disclosures, including price charts and credit opinion history tables, are available for compendium reports and all J.P. Morgan–covered companies by visiting https://jpmm.com/research/disclosures, calling 1-800-477-0406, or e-mailing research.disclosure.inquiries@jpmorgan.com with your request. J.P. Morgan's Strategy, Technical, and Quantitative Research teams may screen companies not covered by J.P. Morgan. For important disclosures for these companies, please call 1-800-477-0406 or e-mail research.disclosure.inquiries@jpmorgan.com.

NiSource Inc. (NI, NI US) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
18-Mar-15	N	43.77	46.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Mar 18, 2015.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.
J.P. Morgan ratings or designations: OW = Overweight, N= Neutral, UW = Underweight, NR = Not Rated

Explanation of Equity Research Ratings, Designations and Analyst(s) Coverage Universe:
J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Not Rated (NR): J.P. Morgan has removed the rating and, if applicable, the price target, for this stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, no longer should be relied upon. An NR designation is not a recommendation or a rating. In our Asia (ex-Australia) and U.K. small- and mid-cap equity research, each stock's expected total return is compared to the expected total return of a benchmark country market index, not to those analysts' coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst's coverage universe can be found on J.P. Morgan's research website, www.jpmorganmarkets.com.

Coverage Universe: Turnure, Christopher: AES Corp. (AES), Allete Inc. (ALE), American Electric Power (AEP), Atmos Energy (ATO), Black Hills Corp. (BKH), Dominion Resources (D), Duke Energy Corp. (DUK), Entergy Corp. (ETR), Exelon Corp. (EXC), Great Plains Energy (GXP), Hawaiian Electric Industries Inc. (HE), ITC Holdings (ITC), NextEra Energy Inc. (NEE), PG&E Corp. (PCG), Pepco Holdings (POM), Piedmont Natural Gas Co. (PNY), Portland General Electric Co. (POR), Sempra Energy (SRE), The Laclede Group, Inc. (LG), UIL Holdings Corporation (UIL), Westar Energy Inc (WR), Xcel Energy (XEL)

J.P. Morgan Equity Research Ratings Distribution, as of June 30, 2015

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	44%	43%	13%
IB clients*	51%	48%	38%
JPMS Equity Research Coverage	45%	47%	9%
IB clients*	71%	66%	57%

*Percentage of investment banking clients in each rating category.
For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above.

Equity Valuation and Risks: For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at http://www.jpmorganmarkets.com, contact the primary analyst or your J.P. Morgan representative, or email research.disclosure.inquiries@jpmorgan.com.

Equity Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues.

Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

All research reports made available to clients are simultaneously available on our client website, J.P. Morgan Markets. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research reports available on a particular stock, please contact your sales representative.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at http://www.optionsclearing.com/publications/risks/riskstoc.pdf

Legal Entities Disclosures
U.S.: JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC. **U.K.**: JPMorgan Chase N.A., London Branch, is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and to limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from J.P. Morgan on request. J.P. Morgan Securities plc (JPMS plc) is a member of the London Stock Exchange and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in England & Wales No. 2711006. Registered Office 25 Bank Street, London, E14 5JP. **South Africa**: J.P. Morgan Equities South Africa Proprietary Limited is a member of the Johannesburg Securities Exchange and is regulated by the Financial Services Board. **Hong Kong**: J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated

by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong and/or J.P. Morgan Broking (Hong Kong) Limited (CE number AAB027) is regulated by the Securities and Futures Commission in Hong Kong. **Korea**: J.P. Morgan Securities (Far East) Ltd, Seoul Branch, is regulated by the Korea Financial Supervisory Service. **Australia**: J.P. Morgan Australia Limited (JPMAL) (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (JPMSAL) (ABN 61 003 245 234/AFS Licence No: 238066) is regulated by ASIC and is a Market, Clearing and Settlement Participant of ASX Limited and CHI-X. **Taiwan**: J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited (Corporate Identity Number - U67120MH1992FTC068724), having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz - East, Mumbai – 400098, is a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI Registration Number - INB 010675237/INF 010675237) and is regulated by Securities and Exchange Board of India. Telephone: 91-22-6157 3000, Facsimile: 91-22-6157 3990 and Website: www.jpmipl.com. For non local research reports, this material is not distributed in India by J.P. Morgan India Private Limited. **Thailand**: This material is issued and distributed in Thailand by JPMorgan Securities (Thailand) Ltd., which is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission and its registered address is 3rd Floor, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500. **Indonesia**: PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the OJK a.k.a. BAPEPAM LK. **Philippines**: J.P. Morgan Securities Philippines Inc. is a Trading Participant of the Philippine Stock Exchange and a member of the Securities Clearing Corporation of the Philippines and the Securities Investor Protection Fund. It is regulated by the Securities and Exchange Commission. **Brazil**: Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico**: J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore**: This material is issued and distributed in Singapore by or through J.P. Morgan Securities Singapore Private Limited (JPMSS) [MCI (P) 100/03/2015 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. This material is provided in Singapore only to accredited investors, expert investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289. Recipients of this document are to contact JPMSS or JPMCB Singapore in respect of any matters arising from, or in connection with, the document. **Japan**: JPMorgan Securities Japan Co., Ltd. is regulated by the Financial Services Agency in Japan. **Malaysia**: This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan**: J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia**: J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai**: JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

Country and Region Specific Disclosures

U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMS plc. Investment research issued by JPMS plc has been prepared in accordance with JPMS plc's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities plc, Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: http://www.hkex.com.hk. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan, Type II Financial Instruments Firms Association and Japan Investment Advisers Association. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul Branch. **Singapore:** JPMSS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **Taiwan**: This material is issued and distributed in Taiwan by J.P. Morgan Securities (Taiwan) Limited. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **Brazil**: Ombudsman J.P. Morgan: 0800-7700847 / ouvidoria.jp.morgan@jpmorgan.com.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised March 28, 2015.

J.P.Morgan

North America Equity Research
09 July 2015

NiSource Inc.

LT Growth, Low-Risk Opportunity Not Baked-In; Assuming at OW

Overweight

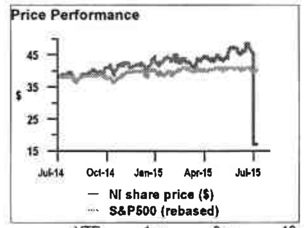
NI, NI US

Price: $17.15

Price Target: $20.00

Electric & Gas Utilities
Christopher Turnure AC
(1-212) 622-5696
christopher.turnure@jpmorgan.com
Bloomberg JPMA TURNURE <GO>
J.P. Morgan Securities LLC

Price Performance



	YTD	1m	3m	12m
Abs	-59.7%	-62.0%	-61.3%	-55.2%
Rel	-60.8%	-62.1%	-61.5%	-60.4%

We are assuming coverage of NI with an OW rating and $20 price target (under pre-spin J.P. Morgan coverage, we had a Neutral rating,). We see the company's investment potential with its portfolio of eight utilities in seven states as top-tier versus both electric and gas peers. We expect this capital to be deployed accretively given solid authorized ROEs, an efficient balance sheet with elevated leverage, and an array of low-lag regulatory constructs. Given these underlying factors, including 6-8%+ rate base growth potential, we expect NI to achieve the top end of the 4-6% long-term EPS growth guidance with ample room for any minor risks along the way. We believe that a near-term premium P/E valuation versus electric peers, a need for equity and a focus on the more growth-oriented CPGX may be holding back some investors. We see shares outperforming as post-spin capital and growth plans come more clearly into focus and the low risk, high growth story is fully appreciated by the proper shareholder base.

- **Top-tier investment pipeline across electric and gas footprint.** NiSource is in the early stages of a multi-year elevated spend cycle, driven by electric and gas infrastructure replacement opportunities across its eight regulatory jurisdictions. Spending has ramped up quickly over the last four years, and is driven primarily by the need to replace gas infrastructure and, to a lesser degree, transmission and distribution at the electric utility.

- **Capital deployment accretive given solid ROEs, parent leverage and low-lag regulatory constructs.** We estimate the company to be earning in the high 9% to low 10% range on its regulated ~$8.0Bn and growing rate base over the next 3 years. Solid 10.0-10.2% authorized ROEs on incremental capital and low-lag regulatory constructs in nearly all jurisdictions distinguish NI's portfolio of utilities from most peers. For these reasons, we find the top end of the 4-6% EPS long-term growth guidance achievable, driven by 6-8%+ rate base growth.

- **Initiating at OW with a $20 December 2016 price target.** Our sum-of-the-parts based target uses 2018E EPS and a premium to pure regulated electric and gas utility peers on a P/E basis. The stock's current 2016 P/E multiple of 16.0x appears to be pricing in growth relative to electric and gas peers at 14.7-16.6, but we expect the growth pipeline and regulatory environments to drive both above-average and lower-risk growth over the long term and justify a higher multiple, in our view.

NiSource Inc. (NI;NI US)

FYE Dec	2014A	2015E	2016E	2017E	2018E
EPS ($)					
Q1 (Mar)	0.82	0.85A	-	-	-
Q2 (Jun)	0.25	0.23	-	-	-
Q3 (Sep)	0.14	0.02	-	-	-
Q4 (Dec)	0.51	0.31	-	-	-
FY	1.72	0.79	1.07	1.14	1.20

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data	
Price ($)	17.15
Date Of Price	08-Jul-15
52-week Range ($)	19.32-14.15
Market Cap ($ mn)	5,420.04
Fiscal Year End	Dec
Shares O/S (mn)	316
Price Target ($)	20.00
Price Target End Date	31-Dec-16

See page 10 for analyst certification and important disclosures.

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Table of Contents

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Investment Thesis

NiSource Inc. (NI)

Overweight

Top-tier investment pipeline across electric and gas footprint

NiSource is in the early stages of a multi-year elevated spend cycle, driven by electric and gas infrastructure replacement opportunities across its eight regulatory jurisdictions. Spending has ramped up quickly over the last four years, and is driven primarily by the need to replace gas infrastructure and, to a lesser degree, transmission and distribution at the electric utility. Political and regulatory receptiveness toward the need for pipeline safety has increased following several high-profile accidents over the last half decade. NI's particularly supportive regulatory frameworks allow for this spending to continue at the $1.4Bn 2016E pace for years to come, driving total rate base growth of at least 6-8% annually. The $30Bn in total non-maintenance required capital guided by the company over long term represents 27-29 years at the current annual non-maintenance ~$1.1Bn pace. This growth puts the company in the top tier of both electric and gas utility peers.

Capital deployment accretive given solid ROEs, parent leverage and low-lag regulatory constructs

We estimate the company to be earning in the high 9% to low 10% range on its regulated ~$8.0Bn and growing rate base over the next 3 years. Solid 10.0-10.2% authorized ROEs on incremental capital and low-lag regulatory constructs in nearly all jurisdictions distinguish NI's portfolio of utilities from most peers. Equally importantly, the company is able to maintain a ~64% net debt-to-capitalization ratio while holding on to investment grade credit ratings. This is high versus the 50-55% ratio seen at most peers, and allows for very efficient and accretive capital deployment. Thanks in part to an absence of a cash tax liability for the next several years and a $50MM annual DRIP program, we only assume minimal incremental equity is needed through 2018 despite elevated capex.

Top-end 6% EPS growth achievable, driven by 6-8%+ rate base growth

The high levels of capital spend drive a guided 6-8% rate base growth rate through 2018. Given our expectation of a need for only minimal equity and the low-lag regulatory constructs, we see the higher end of the 4-6% EPS guide growth CAGR as achievable. Key programs, such as Indiana's SB 506 and Pennsylvania's forward test year construct, allow for a high degree of both O&M expense pass-through and timely returns on and of capital, with lag limited to under 1 year for the majority of rate base. Additionally, NIPSCO electric benefits from an environmental capex rider and its FERC-level transmission assets receive the standard forward-looking rates with construction-work-in progress.

Relatively lower risk story with minor uncertainties more than priced in

NiSource's regulatory constructs and largely electric and gas transmission infrastructure base make it a relatively lower risk story to begin with versus other gas and electric utility peers. As the company establishes itself as an independent entity from Colombia Pipeline Group, we expect more capex and growth quantity and timing details to materialize. We believe several outstanding risks are more than priced into the shares at their current valuation. These include downside risk to the current elevated capex, lower authorized ROE for the two IN transmission projects, steel industry-related load destruction and the IN electric multi-year infrastructure rider re-filing process.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Risks to Rating and Price Target

Industrial customer electric load could change at any time

The company generates ~5% of total pro-forma gross margin from steel and steel-related industries at NIPSCO in northern Indiana. Though industrial demand has generally been resilient over the last five years, recent demand and pricing pressures have resulted in steel production cutbacks and further headwinds could result in falling sales volume at the utility. Should industrial load experience more weakness than we expect, our earnings forecasts could be negatively impacted.

Regulatory changes at the state or federal level could affect authorized revenues

Rates charged to the company's electric and gas customers are set by seven state utility commissions and the Federal Energy Regulatory Commission (FERC). Given high capital spending levels, timely rate relief is a necessity for the company to continue to grow earnings. Any meaningful positive or negative change to the regulatory environments may cause future earnings to differ materially from current expectations. Such change could be the result of vagaries in political, consumer or general regulatory sentiment.

External equity needs could come sooner or in a larger amount than expected

We expect net debt-to-capitalization and debt-to-EBITDA levels of 63-64% and 5.1-5.3x, respectively, through 2018 for the consolidated pro-forma company. Credit metrics have recently been set at investment grade but this leverage is above peer averages. Given the high levels of capital spending for the foreseeable future, we model a need for external equity on top of the $50MM/year of dividend reinvestment plan usage by 2017. We generally see the strong regulatory constructs underlying NiSource's gross margin as generating adequate cash flow to limit equity needs, and note management has incorporated an issuance into its 4-6% long-term EPS growth guidance. Should equity needs come relatively quickly following the Colombia Pipeline separation, or come in an amount exceeding market expectations, our earnings estimates could be negatively impacted.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

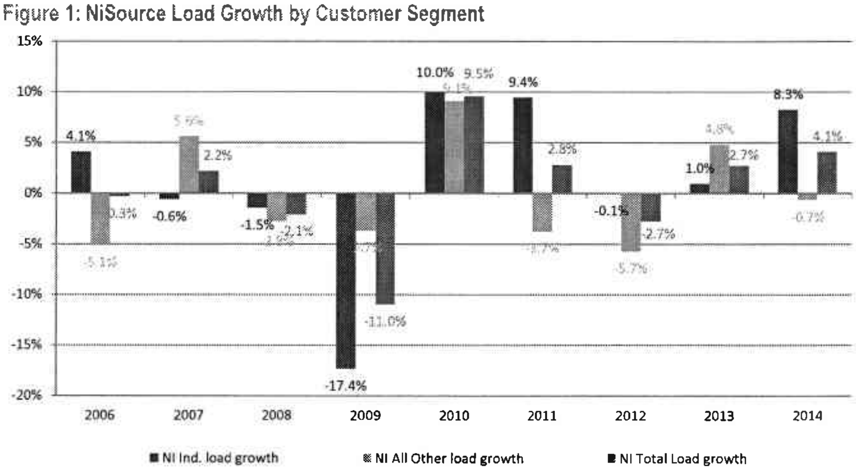
Company Description

NiSource generates 70% and 30% of net income from its gas utility and electric utility businesses, respectively. The gas utilities own local gas distribution systems in 7 states with a total rate base of $5Bn, the largest of which are in Pennsylvania, Ohio and Indiana. The electric utility owns generation, transmission and distribution assets in northern Indiana with a total rate base of $3Bn. Most of the company's utility portfolio is in a stage of elevated capital spending to replace aging infrastructure and benefit from favorable rate constructs offered by the respective state utility commissions. NiSource completed its separation into NI and CPGX, its gas pipeline and gathering business, on July 2, 2015.

Steel-Intensive Industrial Footprint Contribution Minimal

NIPSCO's northern Indiana electric service territory is located in a major steel-producing region and generates ~15% of total gross margin from this industry, or 5% total company, pro-forma. Recent currency and global demand factors have pressured the industry, resulting in production cutbacks in this electricity-intensive manufacturing process. Utilities typically structure large industrial customer contracts to be mostly fixed-fee based, and NIPSCO on average generates about two-thirds of gross margin from fixed fees, insulating it from near-term volume fluctuations. Fixed charges are still vulnerable, however, and we calculate a drastic loss of 10% of total industrial load on a run-rate basis could have a $0.06 impact per share. Given the small scale of the impact and the fact that management has incorporated a zero load growth scenario into its 4-6% EPS growth CAGR plan, we see this as a minimal risk.

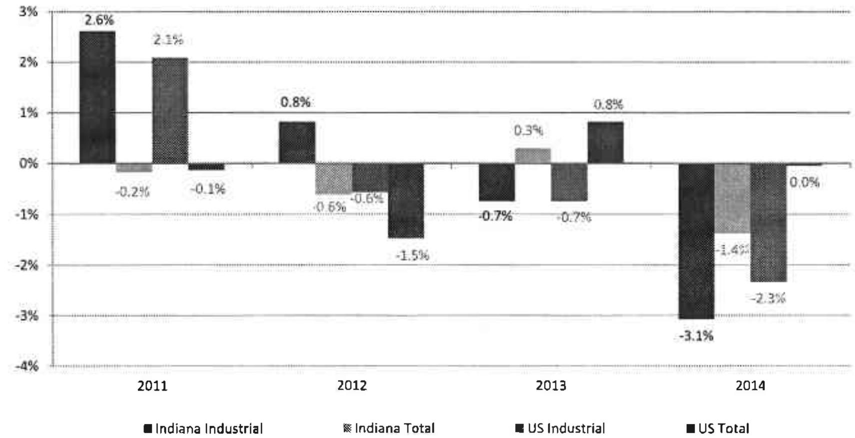
Figure 1: NiSource Load Growth by Customer Segment



Source: Company reports

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Figure 2: Indiana & US Annual Load Growth: Industrial vs. Total



Source: Electric Power Annual 2010-2014

Transmission ROE Cut Impact Limited

NIPSCO's FERC-level transmission assets are limited to two large projects slated for completion by 2018, for a total capital investment of $500MM. FERC's stable and relatively high transmission ROE's have been under attack for years amid the low interest rate environment. NIPSCO's projects are currently authorized forward looking test years, construction work in progress and a 12.88% ROE. A November 2013-filed challenge to all MISO transmission owners, including NIPSCO, is widely expected to result in a significant reduction to authorized ROE's, however. We expect a cut of somewhere between 50-150bp depending on where interest rates and utility peers go until the expected conclusion of the case in late 2016. We calculate a $0.01 per share negative impact using a 150bp cut, and note this is likely fully baked into management and investor expectations.

Table 1: FERC-Level Transmission ROE Exposure

500	Rate Base as of year-end 2018
60%	Equity Layer
1.5%	ROE Assumed Change
4.5	Net Income Impact
0.01	EPS Impact

Source: J.P. Morgan estimates, Company data. $MM except EPS

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

IN infrastructure rider to be back on track soon

Indiana's 2013 Senate Bill 560 allows for recovery of investments in electric and infrastructure outside the scope of a full rate case, providing a low-lag recovery mechanism for most spend at the prevailing 10.2% ROE in exchange for a full rate case filing every 7 years. The Indiana Utility Regulatory Commission (IURC) approved the company's first 7-year plan under SB 560 in early 2014 but the decision was struck down by the Court of Appeals of Indiana in April 2015. The court upheld all key elements of the law, but required more clarification on capex for years 2 through 7 of the plan. This will cause around a 1 year delay in implementation, but we do not expect any impact on the size or any other aspects of the overall plan and its contribution to rate base and earnings growth.

Financial Outlook

Our EPS estimates imply annual growth of 6.0% and 5.8% in 2017 and 2018, respectively, and at $1.07, fall in the upper half of management's $1.00-1.10 guidance for 2016. The gas businesses are driven by rate base growth of 9-12% and benefit from low-lag recovery of and on capital and high levels of O&M pass-through mechanisms. The electric business is driven by rate base growth of 2-5% and also benefits from low-lag thanks to our assumption of a revived TDSIC program by the IURC as well as the two FERC-level transmission projects scheduled for completion in late 2018.

We forecast dividend growth of 5% through 2018, in-line with management's guided 4-6% rate, but a conservative estimate given it implies a payout ratio below the company's 60-70% payout target, in our opinion. The company maintains 63-64% net debt-to-capitalization and 5.1-5.3x debt-to-EBITDA through 2018, leaving it as one of the most levered names and most efficient balance sheet users among peers. We also model external equity of $100MM in 2017 in order to maintain investment grade ratings given high capital spending levels.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

Valuation

We are establishing a December 2016 price target of $20/share. Our target is based on a sum-of-the-parts analysis and uses our 2018E electric and gas segment EPS forecasts. We value the gas segment using a 17.7x P/E multiple, a premium to gas utility peers due to the company's high rate base growth, large portfolio of utilities and favorable rate constructs. We value the electric segment using a 15.3x P/E multiple, a premium to pure regulated electric utility peers due to the favorable rate construct in IN and near-term transmission-driven growth potential.

Table 2: SOTP Analysis

	2018E EPS	P/E	Price
Electric Utilities	0.46		
Corp & Other	(0.10)		
Electric net of Corp	**0.36**	**15.3x**	**$ 5.5**
Gas Utilities	1.04		
Corp & Other	(0.20)		
Gas Net of Corp	**0.84**	**17.7x**	**$ 14.9**
Dec 2016 NI Price Target			**$ 20**

Source: J.P. Morgan estimates.

Table 3: Regulated Electric & Gas Utility Comparables

Ticker	Company	Price	JPM Rating	EPS Estimates 2015E	2016E	2017E	P/E Multiple 2015E	2016E	2017E	Earnings Growth 2016E	2017E	Div Yield	Div Payout	FY15 Dividend
Electric														
IDA	IDACORP Inc	58.91		3.72	3.81	3.91	15.8x	15.5x	15.1x	2.2%	2.7%	3.2%	50%	1.88
VVC	Vectren Corp	40.48		2.47	2.64	2.80	16.4x	15.4x	14.4x	6.6%	6.3%	3.8%	61%	1.52
GXP	^Great Plains Energy	25.49	N	1.53	1.84	1.92	16.7x	13.9x	13.3x	20.3%	4.3%	3.8%	64%	0.98
WR	^Westar Energy Inc	36.22	UW	2.21	2.42	2.52	16.4x	15.0x	14.4x	9.5%	4.1%	4.0%	65%	1.44
PNW	Pinnacle West Capital	60.01		3.85	4.02	4.21	15.6x	14.9x	14.2x	4.6%	4.7%	4.0%	62%	2.38
SCG	SCANA Corp	53.39		3.72	3.89	4.15	14.4x	13.7x	12.9x	4.6%	6.7%	4.1%	59%	2.18
LNT	Alliant Energy Corp	60.37		3.62	3.83	4.02	16.7x	15.8x	15.0x	5.7%	5.0%	3.6%	61%	2.20
CMS	CMS Energy Corp	33.88		1.88	2.01	2.15	18.0x	16.9x	15.7x	6.6%	7.2%	3.4%	62%	1.16
Gas														
NWN	Northwest Natural Gas	44.12		2.19	2.26	2.48	20.2x	19.5x	17.8x	3.3%	9.6%	4.2%	85%	1.86
OGS	ONE Gas Inc	44.88		2.15	2.33	2.58	20.8x	19.3x	17.4x	8.2%	10.9%	2.7%	56%	1.20
SWX	Southwest Gas Corp	55.71		3.13	3.35	3.51	17.8x	16.6x	15.9x	7.0%	4.9%	2.9%	52%	1.62
GAS	AGL Resources Inc	48.72		2.98	3.04	3.19	16.3x	16.0x	15.3x	2.1%	4.7%	4.2%	68%	2.04
SJI	South Jersey Industries	25.40		1.65	1.68	1.78	15.4x	15.2x	14.2x	1.5%	6.4%	4.0%	61%	1.01
PNY	^Piedmont Natural Gas*	36.88	N	1.87	1.96	2.10	19.7x	18.8x	17.6x	4.8%	7.1%	3.6%	71%	1.32
WGL	WGL Holdings Inc*	55.54		2.89	2.98	3.23	19.2x	18.6x	17.2x	3.3%	8.1%	3.3%	64%	1.85
NJR	New Jersey Resources*	28.86		1.72	1.70	1.89	16.8x	17.0x	15.3x	-1.2%	11.5%	3.1%	52%	0.90
ATO	^Atmos Energy*	53.80	OW	3.00	3.21	3.42	17.9x	16.8x	15.7x	7.0%	6.5%	2.9%	52%	1.56
LG	^Laclede Group*	53.97	UW	3.16	3.29	3.36	17.1x	16.4x	16.1x	4.1%	2.1%	3.4%	58%	1.84
NI	^NiSource Inc	17.10	OW	0.79	1.07	1.14	21.6x	16.0x	15.0x	35.4%	6.5%	3.6%	78%	0.62
Electric Average							**16.2x**	**15.1x**	**14.4x**					
Gas Average							**18.1x**	**17.4x**	**16.2x**					

Source: J.P. Morgan estimates, Bloomberg; ^ JPM Estimates, *FY end is not December. Priced as of 7/7/2015 Close.

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

NiSource Inc.: Summary of Financials

Income Statement - Annual	FY14A	FY15E	FY16E	FY17E	Income Statement - Quarterly	1Q15A	2Q15E	3Q15E	4Q15E
Sales	6,471	6,271	6,369	6,484	Sales	2,150A	1,783	1,408	1,613
COGS	(2,224)	(3,224)	(3,224)	(3,224)	COGS	(806)A	(806)	(806)	(806)
D&A	(606)	(499)	(521)	(554)	D&A	(158)A	(155)	(123)	(125)
Operations and maintenance	(2,457)	(1,729)	(1,723)	(1,743)	Operations and maintenance	(677)A	(613)	(385)	(442)
Other expenses	-	-	-	-	Other expenses	-	-	-	-
Total operating expenses	3,062	2,228	2,245	2,297	Total operating expenses	834A	768	508	567
Other income / (expense)	100	14	0	0	Other income / (expense)	28A	19	0	0
EBIT	**1,285**	**833**	**901**	**963**	**EBIT**	**537A**	**227**	**95**	**240**
EBITDA	**1,890**	**1,332**	**1,422**	**1,517**	**EBITDA**	**695A**	**382**	**218**	**365**
Interest expense	(444)	(354)	(347)	(366)	Interest expense	(111)A	(109)	(84)	(83)
Income tax provision	(310)	(227)	(210)	(227)	Income tax provision	(151)A	(45)	(4)	(60)
Tax rate	36.9%	47.4%	38.0%	38.0%	Tax rate	35.4%A	38.0%	38.0%	38.0%
Discontinued operations and other	0	0	0	0	Discontinued operations and other	0A	0	0	0
Preferred dividends	-	-	-	-	Preferred dividends	-	-	-	-
Net income	**531**	**252**	**343**	**370**	**Net income**	**268A**	**73**	**7**	**97**
Total non-recurring items	-	-	-	-	Total non-recurring items	-	-	-	-
Net income (Recurring)	**543**	**252**	**343**	**370**	**Net income (Recurring)**	**268A**	**73**	**7**	**97**
Diluted shares outstanding	**315**	**317**	**320**	**326**	**Diluted shares outstanding**	**317A**	**317**	**318**	**318**
Diluted EPS	**1.72**	**0.79**	**1.07**	**1.14**	**Diluted EPS**	**0.85A**	**0.23**	**0.02**	**0.31**
DPS ($)	0.83	0.64	0.67	0.70	DPS ($)	0.16A	0.16	0.16	0.16
Payout ratio	49.2%	80.1%	62.4%	61.7%	Payout ratio	18.3%A	67.0%	783.0%	53.3%

Balance Sheet and Cash Flow Data	FY14A	FY15E	FY16E	FY17E	Ratio Analysis	FY14A	FY15E	FY16E	FY17E
Cash and cash equivalents	25	0	0	0	Sales growth	279.5%	(3.1%)	1.6%	1.8%
Current assets	2,467	1,230	1,370	1,498	EBITDA growth	10.8%	(29.5%)	6.8%	6.7%
PP&E	16,017	11,924	12,805	13,534	EBIT growth	13.9%	(35.2%)	8.1%	6.9%
Non-current assets	6,383	4,430	4,430	4,430	Net income (recurring) growth	14.0%	(53.5%)	36.2%	7.8%
Total assets	**24,866**	**17,584**	**18,605**	**19,461**					
Current liabilities	3,955	2,329	2,640	2,658	Diluted EPS growth	-	(52.9%)	35.0%	6.0%
Long-term Debt	8,156	6,262	6,572	6,882					
Preferred stock	-	-	-	-	Gross margin	65.6%	48.6%	49.4%	50.3%
Other non-current liabilities	6,580	5,023	5,233	5,460	Operating margin	19.9%	13.3%	14.1%	14.8%
Common equity	6,175	3,970	4,160	4,461					
Total liabilities & equity	24,866	17,584	18,605	19,461	Debt / Capital (book)	61.2%	62.5%	63.5%	62.9%
					Times interest earned	4.3	3.8	4.1	4.1
Net income	530	452	343	370					
D&A	606	560	521	554					
Change in working capital	(140)	(78)	(140)	(128)	ROE	17.6%	5.0%	8.4%	8.6%
Change in other assets	325	868	210	227	Return on capital employed (ROCE)	6.7%	3.3%	5.1%	5.1%
Net operating cash flow	**1,321**	**1,803**	**935**	**1,023**					
Cash flow from investing activities	**(2,117)**	**(1,547)**	**(1,403)**	**(1,283)**					
Net common equity issued/(repurchased)	20	1,179	50	150					
Net debt issued/(repurchased)	1,106	(1,271)	310	310					
Common dividends paid	(321)	(263)	(204)	(218)					
Other financing activity	(9)	0	0	0					
Cash flow from financing activities	**796**	**(355)**	**156**	**242**					
Increase/(decrease) in cash	0	(99)	(311)	(18)					
Cash at beginning of the period	27	25	0	0					
Cash at end of the period	25	0	0	0					

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data).Fiscal year ends Dec

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

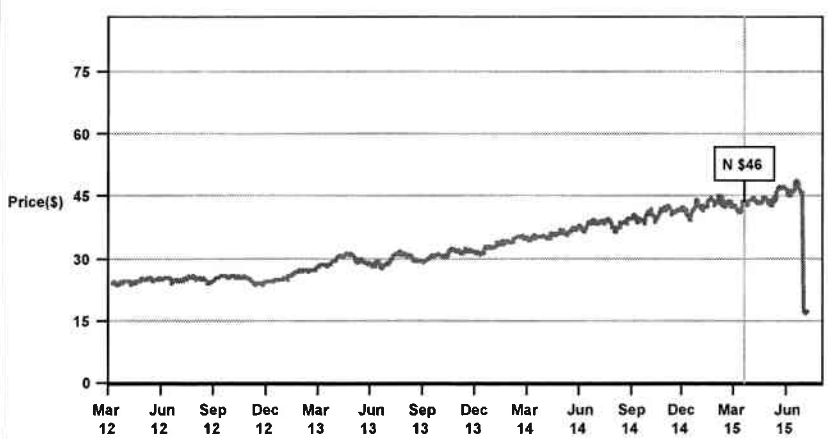
Analyst Certification: The research analyst(s) denoted by an "AC" on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an "AC" on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. For all Korea-based research analysts listed on the front cover, they also certify, as per KOFIA requirements, that their analysis was made in good faith and that the views reflect their own opinion, without undue influence or intervention.

Important Disclosures

- **Market Maker:** JPMS makes a market in the stock of NiSource Inc..
- **Client:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients: NiSource Inc..
- **Client/Investment Banking:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as investment banking clients: NiSource Inc..
- **Client/Non-Investment Banking, Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, securities-related: NiSource Inc..
- **Client/Non-Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-securities-related: NiSource Inc..
- **Investment Banking (past 12 months):** J.P. Morgan received in the past 12 months compensation from investment banking NiSource Inc..
- **Investment Banking (next 3 months):** J.P. Morgan expects to receive, or intends to seek, compensation for investment banking services in the next three months from NiSource Inc..
- **Non-Investment Banking Compensation:** J.P. Morgan has received compensation in the past 12 months for products or services other than investment banking from NiSource Inc..

Company-Specific Disclosures: Important disclosures, including price charts and credit opinion history tables, are available for compendium reports and all J.P. Morgan–covered companies by visiting https://jpmm.com/research/disclosures, calling 1-800-477-0406, or e-mailing research.disclosure.inquiries@jpmorgan.com with your request. J.P. Morgan's Strategy, Technical, and Quantitative Research teams may screen companies not covered by J.P. Morgan. For important disclosures for these companies, please call 1-800-477-0406 or e-mail research.disclosure.inquiries@jpmorgan.com.

NiSource Inc. (NI, NI US) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Mar 18, 2015.

Date	Rating	Share Price ($)	Price Target ($)
18-Mar-15	N	43.77	46.00

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.
J.P. Morgan ratings or designations: OW = Overweight, N= Neutral, UW = Underweight, NR = Not Rated

Explanation of Equity Research Ratings, Designations and Analyst(s) Coverage Universe:
J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Not Rated (NR): J.P. Morgan has removed the rating and, if applicable, the price target, for this stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, no longer should be relied upon. An NR designation is not a recommendation or a rating. In our Asia (ex-Australia) and U.K. small- and mid-cap equity research, each stock's expected total return is compared to the expected total return of a benchmark country market index, not to those analysts' coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying analyst's coverage universe can be found on J.P. Morgan's research website, www.jpmorganmarkets.com.

Coverage Universe: Turnure, Christopher: AES Corp. (AES), Allete Inc. (ALE), American Electric Power (AEP), Atmos Energy (ATO), Black Hills Corp. (BKH), Dominion Resources (D), Duke Energy Corp. (DUK), Entergy Corp. (ETR), Exelon Corp. (EXC), Great Plains Energy (GXP), Hawaiian Electric Industries Inc. (HE), ITC Holdings (ITC), NextEra Energy Inc. (NEE), PG&E Corp. (PCG), Pepco Holdings (POM), Piedmont Natural Gas Co. (PNY), Portland General Electric Co. (POR), Sempra Energy (SRE), The Laclede Group, Inc. (LG), UIL Holdings Corporation (UIL), Westar Energy Inc (WR), Xcel Energy (XEL)

J.P. Morgan Equity Research Ratings Distribution, as of June 30, 2015

	Overweight (buy)	**Neutral** (hold)	**Underweight** (sell)
J.P. Morgan Global Equity Research Coverage	44%	43%	13%
IB clients*	51%	48%	38%
JPMS Equity Research Coverage	45%	47%	9%
IB clients*	71%	66%	57%

*Percentage of investment banking clients in each rating category.
For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above.

Equity Valuation and Risks: For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at http://www.jpmorganmarkets.com, contact the primary analyst or your J.P. Morgan representative, or email research.disclosure.inquiries@jpmorgan.com.

Equity Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues.

Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

All research reports made available to clients are simultaneously available on our client website, J.P. Morgan Markets. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research reports available on a particular stock, please contact your sales representative.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at http://www.optionsclearing.com/publications/risks/riskstoc.pdf

Legal Entities Disclosures
U.S.: JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC. **U.K.**: JPMorgan Chase N.A., London Branch, is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and to limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from J.P. Morgan on request. J.P. Morgan Securities plc (JPMS plc) is a member of the London Stock Exchange and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered in England & Wales No. 2711006. Registered Office 25 Bank Street, London, E14 5JP. **South Africa**: J.P. Morgan Equities South Africa Proprietary Limited is a member of the Johannesburg Securities Exchange and is regulated by the Financial Services Board. **Hong Kong**: J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong and/or J.P. Morgan Broking (Hong Kong) Limited (CE number AAB027) is regulated by the Securities and Futures Commission in Hong Kong. **Korea**: J.P. Morgan Securities (Far East) Ltd, Seoul Branch, is regulated by the Korea Financial Supervisory Service. **Australia**: J.P. Morgan Australia Limited (JPMAL) (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (JPMSAL) (ABN 61 003 245 234/AFS Licence No: 238066) is regulated by ASIC and is a Market, Clearing and Settlement Participant of ASX Limited and CHI-X. **Taiwan**: J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited (Corporate Identity Number - U67120MH1992FTC068724), having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz - East, Mumbai – 400098, is a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI Registration Number - INB 010675237/INF 010675237) and is regulated by Securities and Exchange Board of India. Telephone: 91-22-6157 3000, Facsimile: 91-22-6157 3990 and Website: www.jpmipl.com. For non local research reports, this material is not distributed in India by J.P. Morgan India Private Limited. **Thailand**: This material is issued and distributed in Thailand by JPMorgan Securities (Thailand) Ltd., which is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission and its registered address is 3rd Floor, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500. **Indonesia**: PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the OJK a.k.a. BAPEPAM LK. **Philippines**: J.P. Morgan Securities Philippines Inc. is a Trading Participant of the Philippine Stock Exchange and a member of the Securities Clearing Corporation of the Philippines and the Securities Investor Protection Fund. It is regulated by the Securities and Exchange Commission. **Brazil**: Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico**: J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore**: This material is issued and distributed in Singapore by or through J.P. Morgan Securities Singapore Private Limited (JPMSS) [MCI (P) 100/03/2015 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. This material is provided in Singapore only to accredited investors, expert investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289. Recipients of this document are to contact JPMSS or JPMCB Singapore in respect of any matters arising from, or in connection with, the document. **Japan**: JPMorgan Securities Japan Co., Ltd. is regulated by the Financial Services Agency in Japan. **Malaysia**: This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan**: J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia**: J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai**: JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

Country and Region Specific Disclosures
U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMS plc. Investment research issued by JPMS plc has been prepared in accordance with JPMS plc's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the term "wholesale client" has the meaning given in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities plc, Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: http://www.hkex.com.hk. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan, Type II Financial Instruments Firms Association and Japan Investment Advisers Association. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul Branch. **Singapore:** JPMSS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **Taiwan**: This material is issued and distributed in Taiwan by J.P. Morgan Securities (Taiwan) Limited. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that

Christopher Turnure
(1-212) 622-5696
christopher.turnure@jpmorgan.com

the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **Brazil**: Ombudsman J.P. Morgan: 0800-7700847 / ouvidoria.jp.morgan@jpmorgan.com.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised March 28, 2015.

KeyBanc
Capital Markets

May 28, 2015

ENERGY: Multi-Utilities

Company Update / Price Target Change

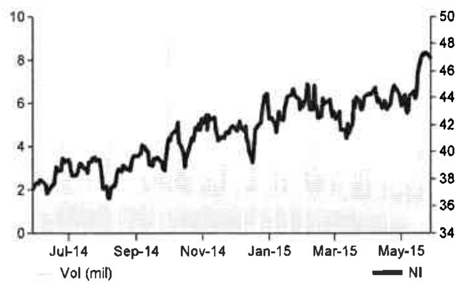
NiSource Inc.

NI: Adjusting Price Target to Reflect Midstream Peers Multiple Expansion

Paul T. Ridzon / (216) 689-0270
pridzon@key.com
John Barta / (216) 689-3386
john_j_barta@key.com

NiSource Inc. (NI) recently hosted separate analyst calls for both NiSource Classic (NI) and Columbia Pipeline Group (CPG) to highlight the growth strategies of both entities post the July 1, 2015 separation. Both teams provided a thorough overview of what to expect from each entity, clearing some uncertainty over the past few months. We are raising our price target on NI to $50.50 from $46. We initiate our 2016 estimate for standalone NI at $1.05.

NYSE: NI	
Rating:	Overweight
Price Target:	$50.50(▲from $46.00)
Price:	$46.85



Sources: Company reports, FactSet, KeyBanc Capital Markets Inc.

Key Investment Points

Raising Price Target - We have updated our price target to $50 from $46, driven largely by multiple expansion in the midstream sector.

NI Guidance in Line - Management has provided 2016 guidance of $1.00 to $1.10 for NiSource Classic, the regulated electric and natural gas utilities. We forecast the standalone business to earn $1.05 in 2016.

Strong Growth at CPG - CPG management highlighted its expectation of an EBITDA CAGR of 20% through 2020. This growth is expected to drive 15% dividend growth over the same period.

Company Data

52-week range	$36 - $48
Market Cap. (M)	$13,858.2
Shares Out. (M)	295.80
Avg. Daily Volume (30D)	2,327,710.0
Annual Dividend	$1.04
Dividend Yield	2.2%
SI as % of Float	2.3%
SI % Chg. from Last Per.	16.8%
Book Value/Share	$17.93

Sources: Company reports, FactSet, KeyBanc Capital Markets Inc.

Estimates

FY ends 12/31	F2014A	1Q15A	2Q15E	3Q15E	4Q15E	F2015E	F2016E
EPS (Net)	$1.72	$0.85	$0.27	--	--	$1.80	$1.98
Cons. EPS	--	$0.85	$0.26	$0.16	$0.53	$1.81	$1.89
Previous	--	$0.84	--	--	--	--	--
Valuation							
P/E	27.2x	--	--	--	--	26.0x	23.7x

Sources: Company reports, FactSet, KeyBanc Capital Markets Inc.

For analyst certification and important disclosures, please refer to the Disclosure Appendix.

Valuation

Our $50.50 price target is based upon a sum-of-the-parts valuation, with a P/E methodology at the regulated utilities and EV/EBITDA valuation of the midstream segment. We value the electric operations at 16.2x our 2016 estimate of $0.37 per share. The gas distribution companies are valued at 18.0x our 2016 estimate of $0.68 per share. We value NI classic at $18.00-$18.50. Based upon 2016 EBITDA of $816 million (growing 2015 company estimate by 20%) and a target EV/EBITDA multiple of 16.1x, we value the midstream segment at $32 per share. Our $50.50 price target represents P/E multiple of 25.5x our 2016 estimate of $1.98 per share.

Investment Risks

We believe the primary risks to achieving our price target include: any deterioration of regulation and any inability to execute on the growth initiatives that management is targeting.

Derivatives

NiSource Inc. (NI) recently hosted separate analyst calls for both NiSource Classic (NI) and Columbia Pipeline Group (CPG) to highlight the growth strategies of both entities post the July 1, 2015 corporate separation. Both teams provided a thorough overview of what to expect from each entity post separation as there has been some uncertainty over the past few months. We are raising our price target on NI to $50.50 from $46 as we have more confidence in the teams executing their LT plans at CPG and NI after the separation. Lastly, we are initiating our 2016 EPS estimate for the standalone **NI** after the separation at $1.05.

Below we have listed an overview of our NI SOTP valuation:

NiSource Current Sum of the Parts Valuation

Columbia Pipeline Group	$32.41	Gas Operation	$12.25	Electric Operation	$5.94
NI Value	**$50.60**				

Source: Company Reports and KeyBanc Capital Markets

NiSource Classic

Over the last several years, the NI story has garnered much attention among investors, but predominately due to the opportunity at CPG. With the separation nearing, we have decided to provide an overview of NI Classic and how we intend on valuing it post separation.

As NI Classic stands today, Electric Operations represents 35% of operating earnings ($3B of rate base), while the Gas Distribution business represents the remaining 65% of operating earnings ($5B of rate base). Both entities benefit from many of the same attributes as they both have constructive regulatory environments, favorable modernization investment programs and significant long-term spending opportunities. When looking across our coverage, we view both the Electric and Gas Operations of NI Classic to have some of the most favorable attributes among its peers as large spend opportunities and favorable recovery mechanisms make it very attractive. Given we view NI Classic as having one of the most attractive stories, we believe it should trade at a premium to its peers. Going forward we intend on valuing NI Classic on a SOTP basis as shown below:

NiSource Classic Sum of the Parts Valuation

NI Classic 2016 EPS Estimate $1.05

Electric Operation	$0.37	Gas Operation	$0.68	$1.05
Small Cap Regulated Peers	15.4x	Gas Distribution Peers	17.1x	
Premium	5%	Premium	5%	
Target Multiple	16.2x	Target Multiple	18.0x	17.3x
Value	$5.94	Value	$12.25	$18.20

Source: Company Reports and KeyBanc Capital Markets

Paul T. Ridzon (216) 689-0270 / pridzon@key.com

Columbia Pipeline Group

Upon separation, including its unique structure with CPPL, CPG will display premium characteristics given its 20% average annual EBITDA CAGR through 2020, 15% average annual dividend CAGR through 2020 and its sound management team. With CPG serving primarily the Marcellus and Utica shale regions, as well as extending out into the Northeast and the Gulf of Mexico, we believe it has a current pipeline that, if anything, will prove conservative as management continues to execute on new projects. One of the most advantageous characteristics of the entity remains with its stable and predictable cash flow stream given its revenues are 95% fee based. Below we provide our assumptions in valuing CPG based on commentary from the CPG analyst call, while staying within leverage ratios.

Columbia Pipeline Group Valuation

2015 EBITDA	$680	Enterprise Value	$13,105
Growth	20%	Minus: Debt	$3,300
2016 EBITDA	$816	Plus: Cash	$500
		Market Capitalization	$10,305
CPG Peers EV/EBITDA	14.6x		
Premium for CPG	10.0%	NiSource Shares	318
Target EV/EBITDA	16.1x	Value	$32.41

Source: Company Reports and KeyBanc Capital Markets

Paul T. Ridzon

(216) 689-0270 / pridzon@key.com

Disclosure Appendix

NiSource Inc. - NI

We have managed or co-managed a public offering of securities for NiSource Inc. within the past 12 months.

NiSource Inc. is an investment banking client of ours.

We have received compensation for investment banking services from NiSource Inc. during the past 12 months.

We expect to receive or intend to seek compensation for investment banking services from NiSource Inc. within the next three months.

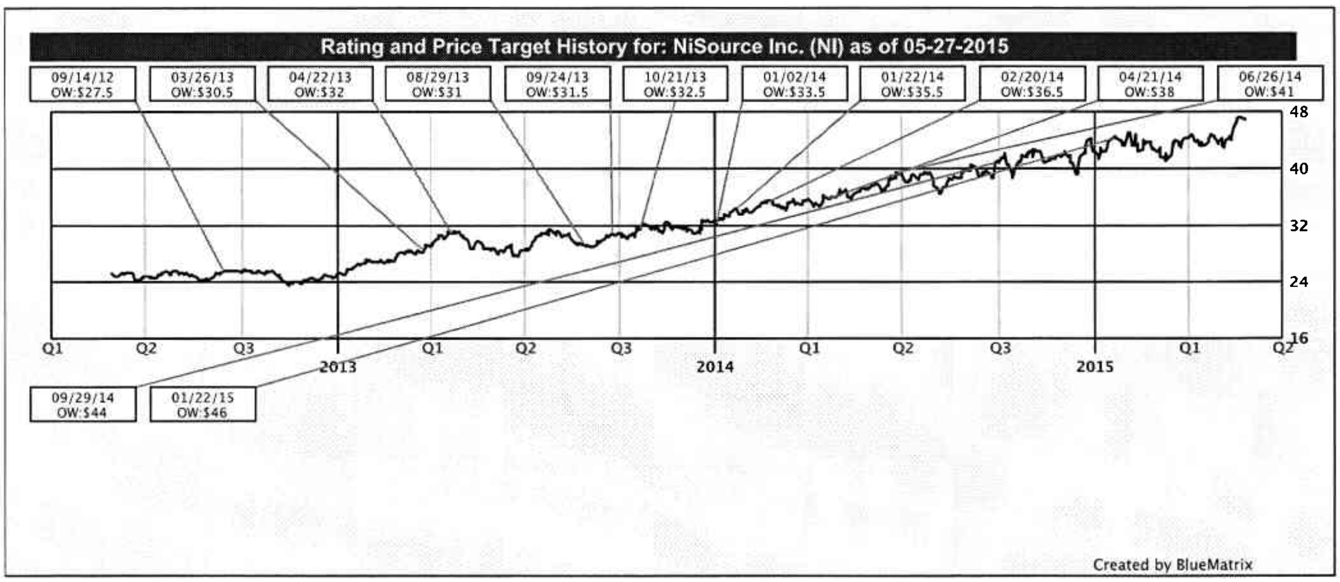
During the past 12 months, NiSource Inc. has been a client of the firm or its affiliates for non-securities related services.

As of the date of this report, we make a market in NiSource Inc..

Reg A/C Certification

The research analyst(s) responsible for the preparation of this research report certifies that:(1) all the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this research report.

Three-Year Rating and Price Target History



Rating Disclosures

Distribution of Ratings/IB Services
KeyBanc Capital Markets

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
Overweight [OW]	356	46.48	78	21.91
Sector Weight [SW]	390	50.91	65	16.67
Underweight [UW]	20	2.61	1	5.00

Paul T. Ridzon (216) 689-0270 / pridzon@key.com

Disclosure Appendix (cont'd)

Rating System

Overweight - We expect the stock to outperform the analyst's coverage sector over the coming 6-12 months.

Sector Weight - We expect the stock to perform in line with the analyst's coverage sector over the coming 6-12 months.

Underweight - We expect the stock to underperform the analyst's coverage sector over the coming 6-12 months.

Note: KeyBanc Capital Markets changed its rating system after market close on February 27, 2015. The previous ratings were Buy, Hold and Underweight. Additionally, Pacific Crest Securities changed its rating system to match KeyBanc Capital Markets' rating system after market close on April 10, 2015, in conjunction with the merger of the broker dealers. The previous ratings were Outperform, Sector Perform and Underperform.

Other Disclosures

KeyBanc Capital Markets is a trade name under which corporate and investment banking products and services of KeyCorp and its subsidiaries, KeyBanc Capital Markets Inc., Member NYSE/FINRA/SIPC ("KBCMI"), and KeyBank National Association ("KeyBank N.A."), are marketed. Pacific Crest Securities is a division of KeyBanc Capital Markets Inc.

KeyBanc Capital Markets Inc. ("KBCMI") does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

This report has been prepared by KBCMI. The material contained herein is based on data from sources considered to be reliable; however, KBCMI does not guarantee or warrant the accuracy or completeness of the information. It is published for informational purposes only and should not be used as the primary basis of investment decisions. Neither the information nor any opinion expressed constitutes an offer, or the solicitation of an offer, to buy or sell any security. The opinions and estimates expressed reflect the current judgment of KBCMI and are subject to change without notice. This report may contain forward-looking statements, which involve risk and uncertainty. Actual results may differ significantly from the forward-looking statements. This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the specific needs of any person or entity.

No portion of an analyst's compensation is based on a specific banking transaction; however, part of his/her compensation may be based upon overall firm revenue and profitability, of which investment banking is a component. Individuals associated with KBCMI (other than the research analyst(s) listed on page 1 of this research report) may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by NASD Rule 2711(h)(1)(A), financial interest, if any, by any research analysts listed on page 1 of this report will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosure Appendix. KBCMI itself may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by NASD Rule 2711(h)(1)(B), if KBCMI beneficially owns 1% or more of any class of common equity securities of the subject company(ies) in this research report as of the end of the month immediately preceding the date of publication of this research report will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosures Appendix. This communication is intended solely for use by KBCMI clients. The recipient agrees not to forward or copy the information to any other person without the express written consent of KBCMI.

KeyBanc Capital Markets

May 28, 2015

ENERGY: Multi-Utilities

Company Update / Price Target Change

NiSource Inc.

NI: Adjusting Price Target to Reflect Midstream Peers Multiple Expansion

Paul T. Ridzon / (216) 689-0270
pridzon@key.com
John Barta / (216) 689-3386
john_j_barta@key.com

NiSource Inc. (NI) recently hosted separate analyst calls for both NiSource Classic (NI) and Columbia Pipeline Group (CPG) to highlight the growth strategies of both entities post the July 1, 2015 separation. Both teams provided a thorough overview of what to expect from each entity, clearing some uncertainty over the past few months. We are raising our price target on NI to $50.50 from $46. We initiate our 2016 estimate for standalone NI at $1.05.

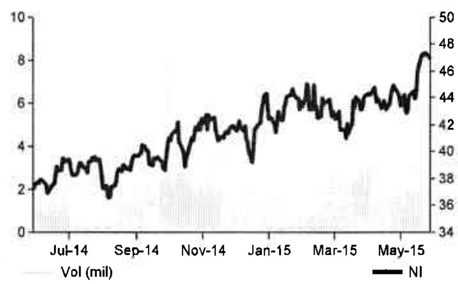
Key Investment Points

Raising Price Target - We have updated our price target to $50 from $46, driven largely by multiple expansion in the midstream sector.

NI Guidance in Line - Management has provided 2016 guidance of $1.00 to $1.10 for NiSource Classic, the regulated electric and natural gas utilities. We forecast the standalone business to earn $1.05 in 2016.

Strong Growth at CPG - CPG management highlighted its expectation of an EBITDA CAGR of 20% through 2020. This growth is expected to drive 15% dividend growth over the same period.

NYSE: NI	
Rating:	Overweight
Price Target:	$50.50(▲from $46.00)
Price:	$46.85



Sources: Company reports, FactSet, KeyBanc Capital Markets Inc.

Company Data

52-week range	$36 - $48
Market Cap. (M)	$13,858.2
Shares Out. (M)	295.80
Avg. Daily Volume (30D)	2,327,710.0
Annual Dividend	$1.04
Dividend Yield	2.2%
SI as % of Float	2.3%
SI % Chg. from Last Per.	16.8%
Book Value/Share	$17.93

Sources: Company reports, FactSet, KeyBanc Capital Markets Inc.

Estimates

FY ends 12/31	F2014A	1Q15A	2Q15E	3Q15E	4Q15E	F2015E	F2016E
EPS (Net)	$1.72	$0.85	$0.27	--	--	$1.80	$1.98
Cons. EPS	--	$0.85	$0.26	$0.16	$0.53	$1.81	$1.89
Previous	--	$0.84	--	--	--	--	--
Valuation							
P/E	27.2x	--	--	--	--	26.0x	23.7x

Sources: Company reports, FactSet, KeyBanc Capital Markets Inc.

For analyst certification and important disclosures, please refer to the Disclosure Appendix.

Valuation

Our $50.50 price target is based upon a sum-of-the-parts valuation, with a P/E methodology at the regulated utilities and EV/EBITDA valuation of the midstream segment. We value the electric operations at 16.2x our 2016 estimate of $0.37 per share. The gas distribution companies are valued at 18.0x our 2016 estimate of $0.68 per share. We value NI classic at $18.00-$18.50. Based upon 2016 EBITDA of $816 million (growing 2015 company estimate by 20%) and a target EV/EBITDA multiple of 16.1x, we value the midstream segment at $32 per share. Our $50.50 price target represents P/E multiple of 25.5x our 2016 estimate of $1.98 per share.

Investment Risks

We believe the primary risks to achieving our price target include: any deterioration of regulation and any inability to execute on the growth initiatives that management is targeting.

Derivatives

NiSource Inc. (NI) recently hosted separate analyst calls for both NiSource Classic (NI) and Columbia Pipeline Group (CPG) to highlight the growth strategies of both entities post the July 1, 2015 corporate separation. Both teams provided a thorough overview of what to expect from each entity post separation as there has been some uncertainty over the past few months. We are raising our price target on NI to $50.50 from $46 as we have more confidence in the teams executing their LT plans at CPG and NI after the separation. Lastly, we are initiating our 2016 EPS estimate for the standalone NI after the separation at $1.05.

Below we have listed an overview of our NI SOTP valuation:

NiSource Current Sum of the Parts Valuation

Columbia Pipeline Group	$32.41	Gas Operation	$12.25	Electric Operation	$5.94
NI Value	**$50.60**				

Source: Company Reports and KeyBanc Capital Markets

NiSource Classic

Over the last several years, the NI story has garnered much attention among investors, but predominately due to the opportunity at CPG. With the separation nearing, we have decided to provide an overview of NI Classic and how we intend on valuing it post separation.

As NI Classic stands today, Electric Operations represents 35% of operating earnings ($3B of rate base), while the Gas Distribution business represents the remaining 65% of operating earnings ($5B of rate base). Both entities benefit from many of the same attributes as they both have constructive regulatory environments, favorable modernization investment programs and significant long-term spending opportunities. When looking across our coverage, we view both the Electric and Gas Operations of NI Classic to have some of the most favorable attributes among its peers as large spend opportunities and favorable recovery mechanisms make it very attractive. Given we view NI Classic as having one of the most attractive stories, we believe it should trade at a premium to its peers. Going forward we intend on valuing NI Classic on a SOTP basis as shown below:

NiSource Classic Sum of the Parts Valuation

NI Classic 2016 EPS Estimate $1.05

Electric Operation	$0.37	Gas Operation	$0.68	$1.05
Small Cap Regulated Peers	15.4x	Gas Distribution Peers	17.1x	
Premium	5%	Premium	5%	
Target Multiple	16.2x	Target Multiple	18.0x	17.3x
Value	$5.94	Value	$12.25	$18.20

Source: Company Reports and KeyBanc Capital Markets

Columbia Pipeline Group

Upon separation, including its unique structure with CPPL, CPG will display premium characteristics given its 20% average annual EBITDA CAGR through 2020, 15% average annual dividend CAGR through 2020 and its sound management team. With CPG serving primarily the Marcellus and Utica shale regions, as well as extending out into the Northeast and the Gulf of Mexico, we believe it has a current pipeline that, if anything, will prove conservative as management continues to execute on new projects. One of the most advantageous characteristics of the entity remains with its stable and predictable cash flow stream given its revenues are 95% fee based. Below we provide our assumptions in valuing CPG based on commentary from the CPG analyst call, while staying within leverage ratios.

Columbia Pipeline Group Valuation

2015 EBITDA	$680	Enterprise Value	$13,105
Growth	20%	Minus: Debt	$3,300
2016 EBITDA	$816	Plus: Cash	$500
		Market Capitalization	$10,305
CPG Peers EV/EBITDA	14.6x		
Premium for CPG	10.0%	NiSource Shares	318
Target EV/EBITDA	16.1x	Value	$32.41

Source: Company Reports and KeyBanc Capital Markets

Paul T. Ridzon (216) 689-0270 / pridzon@key.com

Disclosure Appendix

NiSource Inc. - NI

We have managed or co-managed a public offering of securities for NiSource Inc. within the past 12 months.

NiSource Inc. is an investment banking client of ours.

We have received compensation for investment banking services from NiSource Inc. during the past 12 months.

We expect to receive or intend to seek compensation for investment banking services from NiSource Inc. within the next three months.

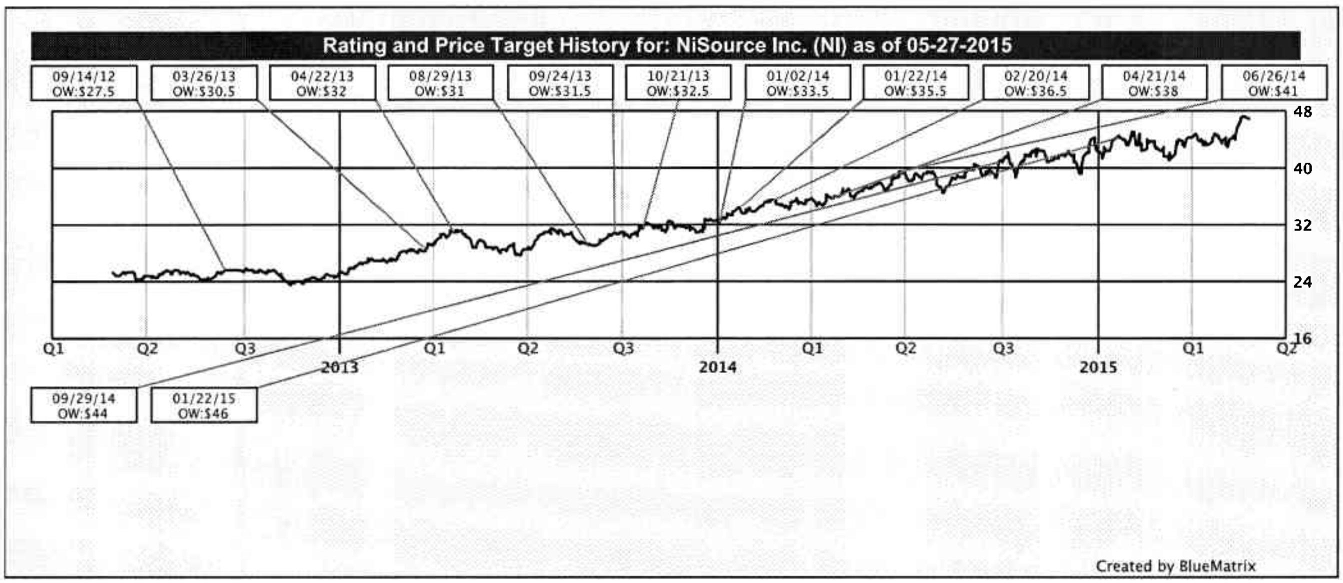
During the past 12 months, NiSource Inc. has been a client of the firm or its affiliates for non-securities related services.

As of the date of this report, we make a market in NiSource Inc..

Reg A/C Certification

The research analyst(s) responsible for the preparation of this research report certifies that:(1) all the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this research report.

Three-Year Rating and Price Target History



Rating Disclosures

Distribution of Ratings/IB Services
KeyBanc Capital Markets

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
Overweight [OW]	356	46.48	78	21.91
Sector Weight [SW]	390	50.91	65	16.67
Underweight [UW]	20	2.61	1	5.00

Disclosure Appendix (cont'd)

Rating System

Overweight - We expect the stock to outperform the analyst's coverage sector over the coming 6-12 months.

Sector Weight - We expect the stock to perform in line with the analyst's coverage sector over the coming 6-12 months.

Underweight - We expect the stock to underperform the analyst's coverage sector over the coming 6-12 months.

Note: KeyBanc Capital Markets changed its rating system after market close on February 27, 2015. The previous ratings were Buy, Hold and Underweight. Additionally, Pacific Crest Securities changed its rating system to match KeyBanc Capital Markets' rating system after market close on April 10, 2015, in conjunction with the merger of the broker dealers. The previous ratings were Outperform, Sector Perform and Underperform.

Other Disclosures

KeyBanc Capital Markets is a trade name under which corporate and investment banking products and services of KeyCorp and its subsidiaries, KeyBanc Capital Markets Inc., Member NYSE/FINRA/SIPC ("KBCMI"), and KeyBank National Association ("KeyBank N.A."), are marketed. Pacific Crest Securities is a division of KeyBanc Capital Markets Inc.

KeyBanc Capital Markets Inc. ("KBCMI") does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

This report has been prepared by KBCMI. The material contained herein is based on data from sources considered to be reliable; however, KBCMI does not guarantee or warrant the accuracy or completeness of the information. It is published for informational purposes only and should not be used as the primary basis of investment decisions. Neither the information nor any opinion expressed constitutes an offer, or the solicitation of an offer, to buy or sell any security. The opinions and estimates expressed reflect the current judgment of KBCMI and are subject to change without notice. This report may contain forward-looking statements, which involve risk and uncertainty. Actual results may differ significantly from the forward-looking statements. This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the specific needs of any person or entity.

No portion of an analyst's compensation is based on a specific banking transaction; however, part of his/her compensation may be based upon overall firm revenue and profitability, of which investment banking is a component. Individuals associated with KBCMI (other than the research analyst(s) listed on page 1 of this research report) may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by NASD Rule 2711(h)(1)(A), financial interest, if any, by any research analysts listed on page 1 of this report will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosure Appendix. KBCMI itself may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by NASD Rule 2711(h)(1)(B), if KBCMI beneficially owns 1% or more of any class of common equity securities of the subject company(ies) in this research report as of the end of the month immediately preceding the date of publication of this research report will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosures Appendix. This communication is intended solely for use by KBCMI clients. The recipient agrees not to forward or copy the information to any other person without the express written consent of KBCMI.

KeyBanc
Capital Markets

July 9, 2015

ENERGY: Multi-Utilities

Company Update / Estimates Change / Price Target Change

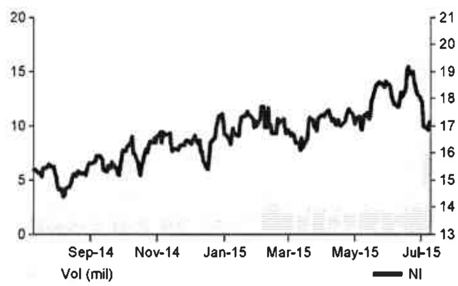
NiSource Inc.

NI: Updating for Corporate Separation

Paul T. Ridzon / (216) 689-0270
pridzon@key.com
John Barta / (216) 689-3386
john_j_barta@key.com

With NI having successfully spun out its midstream business, we are updating our estimates and price target to reflect the business separation. We are adjusting our 2015 EPS estimate to $1.40 from $1.80, noting that this year is messy, with NI holding the midstream segment for half the year. We have adjusted our 2016 EPS estimate to $1.05 from $1.98 per share to account for the separation. Our price target is now $18.50 per share (vs. prior $50.50).

NYSE: NI	
Rating:	**Overweight**
Price Target:	**$18.50(▼from $50.50)**
Price:	**$16.75**



Sources: Company reports, FactSet, KeyBanc Capital Markets Inc.

Key Investment Points

Successful business separation created two attractive companies. We believe the separation of NI into standalone regulated and midstream businesses will allow investors cleaner stories more appropriate for different objectives.

Reducing estimates to reflect loss of midstream earnings. We are reducing our 2015 EPS estimate to $1.40 from $1.80 per share and our 2016 EPS estimate to $1.05 from $1.98 per share. 2015 reflects a half year of owning the midstream assets.

NI remains an attractive rate base story. We believe the regulated business remains attractive given more than $30 billion of investment opportunity over the next 20 years. We view NI's regulation across seven states as constructive, given mechanisms that allow timely recovery of investment. Management has targeted 4-6% EPS and dividend growth.

Maintain Overweight rating while adjusting price target for separation. Given the investment opportunity and constructive regulation, we maintain our **Overweight** rating. We have adjusted our price target to $18.50 from $50.50 to reflect the spin of the midstream segment. Columbia Pipeline Group (the separated midstream segment) currently trades around $29.50 per share.

Company Data

52-week range	$14 - $19
Market Cap. (M)	$4,954.7
Shares Out. (M)	295.80
Enterprise Value (M)	$13,121.9
Avg. Daily Volume (30D)	3,492,720.0
Annual Dividend	$0.62
Dividend Yield	3.7%
SI as % of Float	2.5%
SI % Chg. from Last Per.	31.0%
Book Value/Share	$17.93

Sources: Company reports, FactSet, KeyBanc Capital Markets Inc.

Estimates

FY ends 12/31	F2014A	1Q15A	2Q15E	3Q15E	4Q15E	F2015E	F2016E
EPS (Net)	$1.72	$0.85	$0.27	--	--	$1.40	$1.05
Cons. EPS	--	$0.85	$0.26	$0.10	$0.48	$1.62	$1.46
Previous	--	--	--	--	--	$1.80	$1.98
Valuation							
P/E	9.7x	--	--	--	--	12.0x	16.0x

Sources: Company reports, FactSet, KeyBanc Capital Markets Inc.

For analyst certification and important disclosures, please refer to the Disclosure Appendix.

Valuation	Our $18.50 price target is based on a blend of regulated gas and electric utilities. We forecast roughly 60% of NI earnings will be earned at the gas distribution companies, while the balance will be earned at the Indiana electric segment. Peer gas and electric groups trade at 17.3x and 15.3x, respectively. Our $18.50 price target is based on a 5-10% premium given attractive capital opportunities backed by favorable regulation. Our price target represents a P/E multiple of 17.6x our 2016 estimate. Shares are currently trading at 16.0x our 2016 estimate.
Investment Risks	We believe the primary risks to achieving our price target include any deterioration of regulation and any inability to execute on the growth initiatives that management is targeting.

Paul T. Ridzon
(216) 689-0270 / pridzon@key.com

Disclosure Appendix

NiSource Inc. - NI

We have managed or co-managed a public offering of securities for NiSource Inc. within the past 12 months.

NiSource Inc. is an investment banking client of ours.

We have received compensation for investment banking services from NiSource Inc. during the past 12 months.

We expect to receive or intend to seek compensation for investment banking services from NiSource Inc. within the next three months.

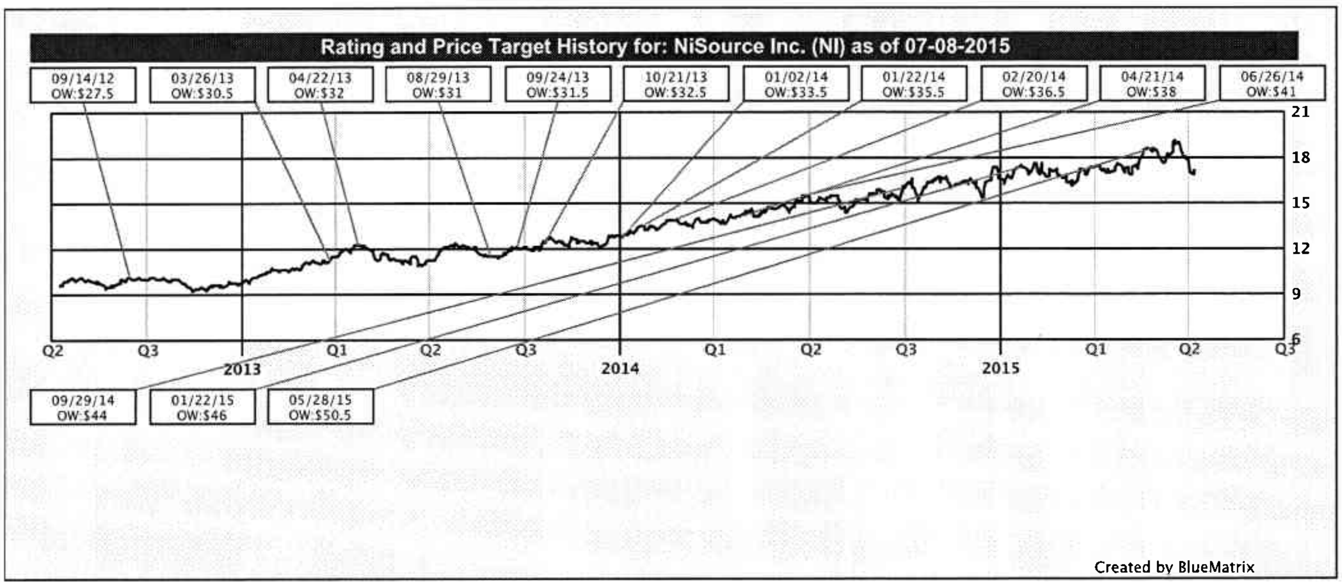
During the past 12 months, NiSource Inc. has been a client of the firm or its affiliates for non-securities related services.

As of the date of this report, we make a market in NiSource Inc..

Reg A/C Certification

The research analyst(s) responsible for the preparation of this research report certifies that:(1) all the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this research report.

Three-Year Rating and Price Target History



Rating Disclosures

Distribution of Ratings/IB Services Firmwide and by Sector

KeyBanc Capital Markets			**IB Serv/Past 12 Mos.**		**ENERGY**			**IB Serv/Past 12 Mos.**	
Rating	**Count**	**Percent**	**Count**	**Percent**	**Rating**	**Count**	**Percent**	**Count**	**Percent**
Overweight [OW]	356	45.99	79	22.19	**Overweight [OW]**	41	45.56	23	56.10
Sector Weight [SW]	400	51.68	68	17.00	**Sector Weight [SW]**	49	54.44	22	44.90
Underweight [UW]	18	2.33	0	0.00	**Underweight [UW]**	0	0.00	0	0.00

Disclosure Appendix (cont'd)

Rating System

Overweight - We expect the stock to outperform the analyst's coverage sector over the coming 6-12 months.

Sector Weight - We expect the stock to perform in line with the analyst's coverage sector over the coming 6-12 months.

Underweight - We expect the stock to underperform the analyst's coverage sector over the coming 6-12 months.

Note: KeyBanc Capital Markets changed its rating system after market close on February 27, 2015. The previous ratings were Buy, Hold and Underweight. Additionally, Pacific Crest Securities changed its rating system to match KeyBanc Capital Markets' rating system after market close on April 10, 2015, in conjunction with the merger of the broker dealers. The previous ratings were Outperform, Sector Perform and Underperform.

Other Disclosures

KeyBanc Capital Markets is a trade name under which corporate and investment banking products and services of KeyCorp and its subsidiaries, KeyBanc Capital Markets Inc., Member NYSE/FINRA/SIPC ("KBCMI"), and KeyBank National Association ("KeyBank N.A."), are marketed. Pacific Crest Securities is a division of KeyBanc Capital Markets Inc.

KeyBanc Capital Markets Inc. ("KBCMI") does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

This report has been prepared by KBCMI. The material contained herein is based on data from sources considered to be reliable; however, KBCMI does not guarantee or warrant the accuracy or completeness of the information. It is published for informational purposes only and should not be used as the primary basis of investment decisions. Neither the information nor any opinion expressed constitutes an offer, or the solicitation of an offer, to buy or sell any security. The opinions and estimates expressed reflect the current judgment of KBCMI and are subject to change without notice. This report may contain forward-looking statements, which involve risk and uncertainty. Actual results may differ significantly from the forward-looking statements. This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the specific needs of any person or entity.

No portion of an analyst's compensation is based on a specific banking transaction; however, part of his/her compensation may be based upon overall firm revenue and profitability, of which investment banking is a component. Individuals associated with KBCMI (other than the research analyst(s) listed on page 1 of this research report) may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by NASD Rule 2711(h)(1)(A), financial interest, if any, by any research analysts listed on page 1 of this report will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosure Appendix. KBCMI itself may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by NASD Rule 2711(h)(1)(B), if KBCMI beneficially owns 1% or more of any class of common equity securities of the subject company(ies) in this research report as of the end of the month immediately preceding the date of publication of this research report will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosures Appendix. This communication is intended solely for use by KBCMI clients. The recipient agrees not to forward or copy the information to any other person without the express written consent of KBCMI.

Paul T. Ridzon (216) 689-0270 / pridzon@key.com

NiSource Inc NI (NYSE) ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
43.94 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

NiSource and Columbia Pipeline Group Provide Update on Separation; Combined Dividend to Increase 8%

Charles Fishman, CFA
Equity Analyst
charles.fishman@morningstar.com
312-696-6523

The primary analyst covering this company does not own its stock.

Research as of 14 May 2015
Estimates as of 20 Feb 2015
Pricing data through 13 May 2015
Rating updated as of 13 May 2015

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Analyst Note 14 May 2015

We are reaffirming our narrow moat, stable moat trend, and $44 per share fair value estimate after NiSource and Columbia Pipeline Group presented independent separation updates during which they provided initial dividend guidance and discussed their earnings outlooks. The NiSource-CPG separation is scheduled for July 1, with both companies trading independently on July 2. Upon separation, NiSource shareholders will retain their current shares of NiSource stock and receive one share of CPG stock for every share of NiSource common stock.

The companies announced their expected initial annual dividends following the separation; NiSource's dividend will be $0.62 per share and CPG's $0.50 per share. The combined dividend would represent about an 8% increase over the current NiSource common dividend of $1.04 per share.

Excluding CPG, NiSource initiated stand-alone 2016 operating EPS guidance of $1.00-$1.10 and a capital expenditure budget of $1.4 billion. Management also reiterated its 4%-6% postseparation long-term annual earnings and dividend growth targets.

Adjusted EBITDA growth for CPG following the separation is projected to be 20% through 2020. This is from a base of approximately $680 million this year. Based on this level of earnings growth, management expects to increase the dividend 15% annually.

Vital Statistics

Market Cap (USD Mil)	13,946
52-Week High (USD)	45.25
52-Week Low (USD)	35.78
52-Week Total Return %	25.4
YTD Total Return %	4.8
Last Fiscal Year End	31 Dec 2013
5-Yr Forward Revenue CAGR %	7.1
5-Yr Forward EPS CAGR %	8.0
Price/Fair Value	1.00

Valuation Summary and Forecasts

Fiscal Year:	2012	2013	2014(E)	2015(E)
Price/Earnings	17.0	20.8	—	24.0
EV/EBITDA	11.9	13.7	—	10.9
EV/EBIT	18.4	20.8	—	16.0
Free Cash Flow Yield %	-2.3	-3.4	—	-4.0
Dividend Yield %	2.7	2.3	—	2.4

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2012	2013	2014(E)	2015(E)
Revenue	5,061	5,657	6,169	6,573
Revenue YoY %	-15.9	11.8	9.0	6.6
EBIT	1,039	1,126	1,294	1,413
EBIT YoY %	12.7	8.4	14.9	9.2
Net Income, Adjusted	437	494	542	589
Net Income YoY %	12.4	13.0	9.7	8.6
Diluted EPS	1.46	1.58	1.70	1.83
Diluted EPS YoY %	7.9	8.3	7.8	7.9
Free Cash Flow	71	-379	-148	-417
Free Cash Flow YoY %	339.3	-637.2	-61.0	182.0

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with 3.4 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. NiSource also owns nearly half of Columbia Pipeline Partners, a master limited partnership that owns gas transmission, underground natural gas storage systems, and provides unregulated midstream services in the growing Marcellus and Utica shale production area. NiSource's electric utility generates, transmits, and distributes electricity in northern Indiana.

NiSource Inc NI (NYSE) | ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
43.94 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2011	2012	2013	Forecast 2014	Forecast 2015	5-Year Proj. CAGR
Revenue	-4.1	-6.3	-15.9	11.8	9.0	6.6	7.1
EBIT	6.8	-0.2	12.7	8.4	14.9	9.2	10.4
EBITDA	3.9	-4.0	9.6	6.4	11.4	9.2	9.4
Net Income	13.2	14.1	12.4	13.0	9.7	8.6	9.4
Diluted EPS	9.0	10.8	7.9	8.3	7.8	7.9	8.0
Earnings Before Interest, after Tax	4.4	10.4	4.1	-1.0	18.4	5.4	8.7
Free Cash Flow	-237.7	-88.9	339.3	-637.2	-61.0	182.0	—

Profitability	3-Year Hist. Avg	2011	2012	2013	2014	2015	5-Year Proj. Avg
Operating Margin %	18.6	15.3	20.5	19.9	21.0	21.5	22.1
EBITDA Margin %	28.7	24.3	31.6	30.1	30.8	31.5	32.2
Net Margin %	7.9	6.5	8.6	8.7	8.8	9.0	9.2
Free Cash Flow Margin %	-1.7	0.3	1.4	-6.7	-2.4	-6.4	-3.4
ROIC %	—	—	—	—	—	—	—
Adjusted ROIC %	7.4	6.9	7.9	7.5	7.9	7.6	7.4
Return on Assets %	1.9	1.5	2.0	2.4	2.3	2.3	2.4
Return on Equity %	7.7	6.0	7.9	9.3	9.0	9.4	9.8

Leverage	3-Year Hist. Avg	2011	2012	2013	2014	2015	5-Year Proj. Avg
Debt/Capital	0.60	0.61	0.59	0.60	0.61	0.63	0.63
Total Debt/EBITDA	5.23	5.45	5.06	5.19	5.14	5.19	5.16
EBITDA/Interest Expense	3.94	3.88	3.83	4.11	4.08	4.04	4.04

Valuation Summary and Forecasts

	2012	2013	2014(E)	2015(E)
Price/Fair Value	1.00	1.22	—	—
Price/Earnings	17.0	20.8	—	24.0
EV/EBITDA	11.9	13.7	—	10.9
EV/EBIT	18.4	20.8	—	16.0
Free Cash Flow Yield %	-2.3	-3.4	—	-4.0
Dividend Yield %	2.7	2.3	—	2.4

Key Valuation Drivers

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	5.8
Long-Run Tax Rate %	35.0
Stage II EBI Growth Rate %	6.0
Stage II Investment Rate %	85.7
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	-995	-4.5	-3.12
Present Value Stage II	1,664	7.6	5.21
Present Value Stage III	21,368	97.0	66.87
Total Firm Value	**22,036**	**100.0**	**68.97**
Cash and Equivalents	70	—	0.22
Debt	-8,834	—	-27.65
Preferred Stock	—	—	—
Other Adjustments	35	—	0.11
Equity Value	**13,307**	—	**41.65**
Projected Diluted Shares	320		
Fair Value per Share (USD)	—		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

NiSource Inc NI NYSE ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
43.94 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in December

				Forecast	
	2011	2012	2013	*2014*	*2015*
Revenue	**6,019**	**5,061**	**5,657**	***6,169***	***6,573***
Cost of Goods Sold	2,556	1,542	1,816	*2,044*	*2,129*
Gross Profit	**3,463**	**3,520**	**3,842**	***4,125***	***4,445***
Selling, General & Administrative Expenses	1,723	1,663	1,874	*1,976*	*2,115*
Other Operating Expense (Income)	295	288	301	*297*	*307*
Other Operating Expense (Income)	-15	-32	-36	*-45*	*-49*
Depreciation & Amortization (if reported separately)	538	562	577	*603*	*658*
Operating Income (ex charges)	**922**	**1,039**	**1,126**	***1,294***	***1,413***
Restructuring & Other Cash Charges	17	-4	-18	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**905**	**1,043**	**1,143**	***1,294***	***1,413***
Interest Expense	377	418	415	*465*	*513*
Interest Income	-61	2	24	*5*	*5*
Pre-Tax Income	**467**	**626**	**753**	***834***	***906***
Income Tax Expense	163	216	262	*292*	*317*
Other After-Tax Cash Gains (Losses)	-5	6	6	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	35	—	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**299**	**416**	**532**	***542***	***589***
Weighted Average Diluted Shares Outstanding	289	300	314	*319*	*321*
Diluted Earnings Per Share	**1.03**	**1.39**	**1.70**	***1.70***	***1.83***
Adjusted Net Income	389	437	494	*542*	*589*
Diluted Earnings Per Share (Adjusted)	**1.35**	**1.46**	**1.58**	***1.70***	***1.83***
Dividends Per Common Share	0.92	0.94	0.98	*1.02*	*1.06*
EBITDA	**1,443**	**1,605**	**1,721**	***1,897***	***2,071***
Adjusted EBITDA	**1,460**	**1,601**	**1,703**	***1,897***	***2,071***

NiSource Inc NI [NYSE] ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
43.94 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2011	2012	2013	Forecast 2014	Forecast 2015
Cash and Equivalents	172	83	35	*209*	*151*
Investments	—	—	—	—	—
Accounts Receivable	855	907	1,006	*1,099*	*1,171*
Inventory	566	496	500	*560*	*583*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	655	866	618	*750*	*750*
Current Assets	**2,248**	**2,352**	**2,159**	***2,617***	***2,655***
Net Property Plant, and Equipment	11,800	12,916	14,365	*15,843*	*17,310*
Goodwill	3,677	3,677	3,666	*3,666*	*3,666*
Other Intangibles	298	287	276	*276*	*276*
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,685	2,613	2,188	*2,561*	*2,689*
Long-Term Non-Operating Assets	—	—	—	—	—
Total Assets	**20,708**	**21,845**	**22,654**	***24,963***	***26,595***
Accounts Payable	435	539	619	*697*	*726*
Short-Term Debt	1,687	1,284	1,241	*1,250*	*1,250*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,525	1,479	1,319	*1,500*	*1,500*
Current Liabilities	**3,646**	**3,302**	**3,178**	***3,447***	***3,476***
Long-Term Debt	6,267	6,819	7,593	*8,500*	*9,500*
Deferred Tax Liabilities (Long-Term)	2,542	2,953	3,278	*3,632*	*3,972*
Other Long-Term Operating Liabilities	3,256	3,216	2,718	*3,252*	*3,236*
Long-Term Non-Operating Liabilities	—	—	—	—	—
Total Liabilities	**15,711**	**16,290**	**16,767**	***18,830***	***20,184***
Preferred Stock	—	—	—	—	—
Common Stock	3	3	3	*3*	*3*
Additional Paid-in Capital	4,168	4,598	4,690	*4,725*	*4,760*
Retained Earnings (Deficit)	917	1,060	1,286	*1,502*	*1,750*
(Treasury Stock)	-31	-41	-49	*-49*	*-49*
Other Equity	-60	-66	-44	*-49*	*-54*
Shareholder's Equity	**4,997**	**5,554**	**5,887**	***6,133***	***6,411***
Minority Interest	—	—	—	—	—
Total Equity	**4,997**	**5,554**	**5,887**	***6,133***	***6,411***

NiSource Inc NI [NYSE] ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
43.94 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

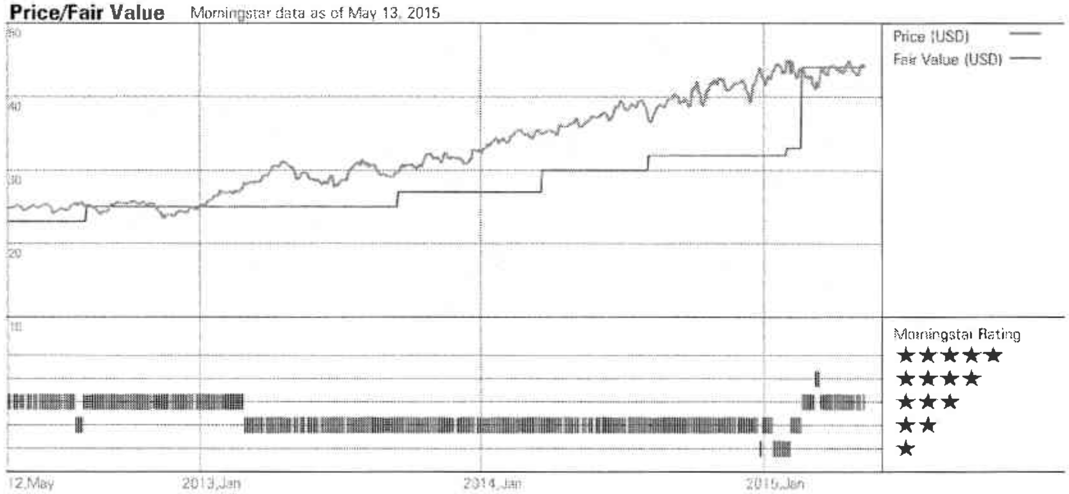
Cash Flow (USD Mil)
Fiscal Year Ends in December

	2011	2012	2013	*Forecast* 2014	*Forecast* 2015
Net Income	299	416	532	*542*	*589*
Depreciation	538	562	577	*603*	*658*
Amortization	—	—	—	—	—
Stock-Based Compensation	39	45	51	*49*	*53*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	178	305	287	*354*	*340*
Other Non-Cash Adjustments	217	25	-65	—	—
(Increase) Decrease in Accounts Receivable	220	-51	-95	*-93*	*-72*
(Increase) Decrease in Inventory	-142	62	-9	*-60*	*-23*
Change in Other Short-Term Assets	-274	-157	81	*-132*	—
Increase (Decrease) in Accounts Payable	-155	57	68	*78*	*29*
Change in Other Short-Term Liabilities	—	—	—	*181*	—
Cash From Operations	**920**	**1,264**	**1,427**	***1,523***	***1,574***
(Capital Expenditures)	-1,125	-1,499	-1,880	*-2,081*	*-2,125*
Net (Acquisitions), Asset Sales, and Disposals	9	26	18	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-34	51	-148	*160*	*-143*
Cash From Investing	**-1,149**	**-1,422**	**-2,010**	***-1,921***	***-2,268***
Common Stock Issuance (or Repurchase)	21	374	36	*35*	*35*
Common Stock (Dividends)	-258	-273	-306	*-326*	*-341*
Short-Term Debt Issuance (or Retirement)	-23	-582	-78	*9*	—
Long-Term Debt Issuance (or Retirement)	541	656	794	*907*	*1,000*
Other Financing Cash Flows	—	—	—	*-49*	*-53*
Cash From Financing	**281**	**175**	**445**	***576***	***641***
Exchange Rates, Discontinued Ops, etc. (net)	-50	8	129	*-5*	*-5*
Net Change in Cash	**2**	**25**	**-10**	***174***	***-58***

NiSource Inc NI (NYSE) ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
43.94 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Price/Fair Value Morningstar data as of May 13, 2015



The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic value.

Five-star stocks sell for the biggest risk-adjusted discount whereas one-star stocks trade at premiums to their intrinsic value. Based on a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's Equity Analysts, four key components drive the Morningstar Rating: 1. Assessment of the firm's economic moat, 2. Estimate of the stock's fair value, 3. Uncertainty around that fair value estimate and 4. Current market price. Further information on Morningstar's methodology is available from http://global.morningstar.com/equitydisclosures.

This Research Report is current as of the date on the report until it is replaced, updated or withdrawn. This report may be withdrawn or changed at any time as other information becomes available to us. This report will be updated if events affecting the report materially change.

Conflicts of Interest:

-No material interests are held by Morningstar or the Equity Analyst in the financial products that are the subject of the research reports or the product.

-Equity Analysts are required to comply with the CFA Institute's Code of Ethics and Standards of Professional Conduct.

-Equity Analysts' compensation is derived from Morningstar's overall earning and consists of salary, bonus and in some cases restricted stock.

-Equity Analysts do not influence Morningstar's investment management group's business arrangements nor allow employees from the investment management group to participate or influence the analysis or opinion prepared by them. Morningstar will not receive any direct benefit from the publication of this report. Morningstar does not receive commissions for providing research and does not charge companies to be rated.

-Equity Analysts use publicly available information.

NiSource Inc NI (NYSE) | ★★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
43.94 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

-Morningstar may provide the product issuer or its related entities with services or products for a fee and on an arms length basis including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship and website advertising.

-Further information on Morningstar's conflict of interest policies is available from http://global.morningstar.com/equitydisclosures.

If you wish to obtain further information regarding previous research reports and recommendations and our services, please contact your local Morningstar office.

Unless otherwise provided in a separate agreement, you may use this report only in the country in which its distributor is based.

Unless stated otherwise, the original distributor of this document is Morningstar Inc. The information contained herein is not represented or warranted to be accurate, correct, complete, or timely. This report is for information purposes only, and should not be considered a solicitation to buy or sell any security. Redistribution is prohibited without permission.

For Recipients in Hong Kong: The research is prepared and issued by Morningstar Investment Management Asia Limited, which is regulated by the Hong Kong Securities and Futures Commission to provide investment research, non-discretionary investment consulting services, and discretionary investment management services to professional investors only. Neither Morningstar Investment Management Asia Limited, nor its representatives, are acting or will be deemed to be acting as an investment manager or advisor to any recipients of this information unless expressly agreed to by Morningstar Investment Management Asia Limited. For enquiries regarding this information, please contact a Morningstar Investment Management Asia Limited Licensed Representative at http://global.morningstar.com/equitydisclosures.

For Recipients in India: Research on securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 ("Investment Research") is prepared by Morningstar Investment Adviser India Private Limited, which is registered with the Securities and Exchange Board of India. Investment Research is intended for educational purposes only; it is not intended to be an offer, solicitation, or call-to-action for the purchase or sale of a security. You should seek the advice of a financial professional before making an investment decision to ensure, among other things, that the security is suitable based on your particular needs and circumstances.

NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

NiSource begins trading without Columbia pipeline group.

Updated Forecasts and Estimates from 30 Jun 2015

Charles Fishman, CFA
Equity Analyst
charles.fishman@morningstar.com
312-696-6523

The primary analyst covering this company does not own its stock.

Research as of 01 Jul 2015
Estimates as of 30 Jun 2015
Pricing data as of 01 Jul 2015 15:20
Rating updated as of 01 Jul 2015 17:44

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Investment Thesis 01 Jul 2015

On July 1, NiSource completed its tax-free separation from Columbia Pipeline Group (CPGX) and now derives all of its operating revenue from its regulated utilities. We believe this move demonstrated good stewardship of shareholder capital as the market provided higher valuation to the individual businesses than the combined entity.

During the past several years, NiSource's regulated electric and natural gas distribution utilities have received favorable regulatory decisions. The utilities now have automatic rate tracker mechanisms for about 75% of its planned capital expenditures. As a result of the favorable regulatory frameworks in seven different states, NiSource has significantly increased its capital expenditures.

NiSource's legacy regulated utility businesses plan to invest about $30 billion in infrastructure improvements during the next 20-plus years. About two thirds of this investment represents modernization of its natural gas distribution utilities. The rate base growth from these investments should allow NiSource to increase earnings by approximately 7% per year in the near term after adjusting for the lost earnings contribution from the CPG.

We expect the dividend to be $0.62 per share annualized after the separation and beginning with the 2015 third quarter. We believe NiSource will be able to increase this dividend approximately 5% per year during at least the next five years.

Vital Statistics

Market Cap (USD Mil)	14,425
52-Week High (USD)	49.16
52-Week Low (USD)	36.00
52-Week Total Return %	18.7
YTD Total Return %	8.4
Last Fiscal Year End	31 Dec 2014
5-Yr Forward Revenue CAGR %	0.8
5-Yr Forward EPS CAGR %	-0.3
Price/Fair Value	1.03

Valuation Summary and Forecasts

Fiscal Year:	2013	2014	*2015(E)*	*2016(E)*
Price/Earnings	20.8	25.1	*30.3*	*42.9*
EV/EBITDA	11.0	12.6	*16.9*	*15.8*
EV/EBIT	16.7	18.8	*27.8*	*25.9*
Free Cash Flow Yield %	-4.4	-5.3	*-0.8*	*-2.4*
Dividend Yield %	3.0	2.4	*1.9*	*1.4*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2013	2014	*2015(E)*	*2016(E)*
Revenue	5,657	6,471	*5,297*	*5,522*
Revenue YoY %	11.8	14.4	*-18.1*	*4.3*
EBIT	1,126	1,231	*830*	*891*
EBIT YoY %	8.4	9.3	*-32.6*	*7.4*
Net Income, Adjusted	494	534	*483*	*344*
Net Income YoY %	13.0	8.1	*-9.5*	*-28.7*
Diluted EPS	1.58	1.69	*1.50*	*1.06*
Diluted EPS YoY %	8.3	7.0	*-10.9*	*-29.2*
Free Cash Flow	-379	-602	*3,900*	*-118*
Free Cash Flow YoY %	-637.2	58.7	*-747.8*	*-103.0*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with 3.4 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. NiSource's electric utility transmits and distributes electricity in northern Indiana. The regulated electric utility also owns almost 3,300 MW of generation capacity, most of which is coal-fired. In 2014, the company generated 77% of the electricity it sold to customers.

NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analysis

Lowering NiSource's Fair Value Estimate Following Separation of Columbia Pipeline Group 01 Jul 2015

We are reducing our fair value estimate to $16 per share from $44 per share following the separation of the Columbia Pipeline Group from NiSource on July 1. Shareholders of record on June 19 will receive a separation dividend of one share of CPG stock for every share of NiSource. CPG shares will begin trading on the NYSE on July 2 under the symbol CPGX.

NiSource is expected to reduce its annual dividend to $0.62 per share from its current level of $1.04 per share beginning with the 2015 third-quarter dividend. However, when combined with the CPG expected dividend of $0.50 per share, NiSource shareholders that retain their CPG shares will experience about an 8% increase in the combined dividend.

Following the separation, NiSource will be a 100% regulated electric and natural gas utility with a low risk profile. NiSource has good to excellent regulatory frameworks in all of its jurisdictions. Therefore, we have a high level of confidence in the company receiving favorable regulatory outcomes for its planned $30 billion of investments during the next 20-plus years. That said, we note that both the CEO and CFO of NiSource left with CPG following the separation. Although the executives now filling these positions have significant utility experience, they are new to these roles. This creates some execution risk, in our opinion.

Valuation, Growth and Profitability 01 Jul 2015

We are reducing our fair value estimate to $16 per share from $44 per share following the separation of CPG from NiSource on July 1. Shareholders of record on June 19 received a separation dividend of one share of CPG stock for every share of NiSource.

NiSource's infrastructure investment program at its electric utility is the primary driver of our 8.2% annual operating earnings growth estimate during the next four years, slightly above the mid-point of management's 7%-9% guidance range. With the recent passage of SB 560 and Indiana Commission approval of the electric utility's seven-year modernization plan, we expect infrastructure improvements to accelerate and push annual rate base growth to 8% in the near term.

NiSource's gas distribution utilities have ongoing modernization programs for replacing steel pipe with plastic. SB 560 and the modernization program in the six other states have rate tracker mechanisms allowing for timely recovery of these investments. These rate tracker mechanisms provide for timely recovery (on average about a one-year regulatory lag) of approximately 75% of NiSource's capital expenditures. We estimate that NiSource's planned $6.9 billion of capital investment during the next five years and the favorable regulatory frameworks will push average annual earnings growth above 7% for NiSource's regulated gas distribution utilities.

We use a 5.8% cost of capital in our discounted cash flow model, which incorporates a 7.5% cost of equity. This is lower than the 9% rate of return we expect investors will demand of a diversified equity portfolio. We believe our cost of equity reflects the risk associated with regulated electric and natural gas distribution utilities operating in states that have average to above average regulatory frameworks.

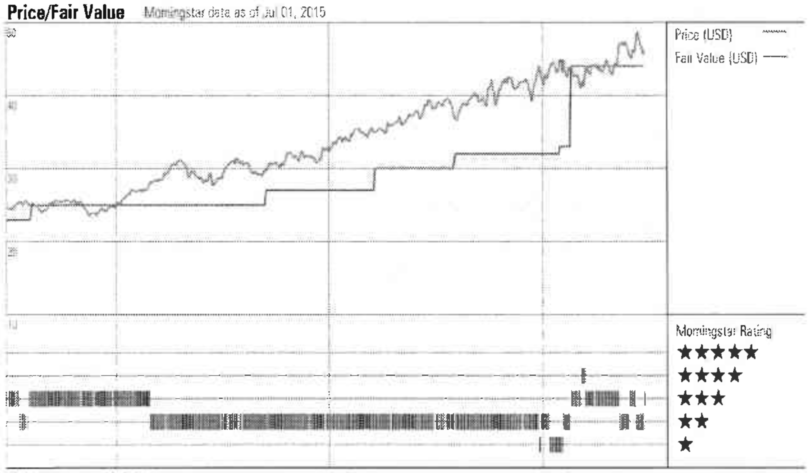
Our pretax cost of debt assumption is 5.8% as we incorporate a normalized long-term real rate environment and normalized credit spreads. A 2.25% long-term inflation outlook underpins our capital cost assumptions.

Our fair value estimate for NiSource shares represents a multiple on 2016 earnings of 15 times, in line with the P/E multiple of our regulated utilities peer group in early July.

NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Price/Fair Value Morningstar data as of Jul 01, 2015



Scenario Analysis

Our uncertainty rating on the shares of NiSource is low.

If we assume capital expenditures are 25% less than our estimate during the next five years, then our annual EPS growth would decline to about 3% and our fair value estimate would decrease approximately $2 per share. We believe it is unlikely that capital expenditures will materially exceed our estimate.

A 50-basis-point change in our cost of equity assumption changes our fair value estimate by $2 per share.

Economic Moat

We assign a narrow moat to NiSource, as all of its operating earnings are derived from regulated utility operations. NiSource's regulated utilities own difficult-to-replicate networks of electricity and natural gas distribution assets that provide essential utility services to customers. Electricity generation in Indiana is also regulated, and the rates for this service are combined with regulated customer rates for transmission and distribution service. In exchange for its monopoly position, state and federal regulators set NiSource's utility rates.

For natural gas distribution service, regulators set distribution rates and also the commodity price for customers purchasing natural gas from NiSource. NiSource recovers its costs for natural gas that it sells to customers with a pass-through charge to customers. Thus, NiSource has no commodity price risk. Customers may elect to purchase natural gas from independent retail energy suppliers and use and pay for distribution services only. NiSource exited the no-moat retail energy supply business in 2010.

For the most part, regulators have recognized the need for NiSource's shareholders to earn an adequate return on their investment. In exchange for earning a fair return for its shareholders, NiSource's utilities are expected to provide safe and reliable service at the lowest possible costs. This implicit contract between the regulators and the utilities should, in the long run, allow NiSource to earn at least its cost of capital, which leads us to assign a narrow economic moat to its regulated operations.

Moat Trend

We believe NiSource's moat trend is stable. We do not foresee a long-term change to the firm's business as a monopoly provider of natural gas and electricity, nor do we see changes to its compact with regulators. All operating earnings are from FERC-regulated electric transmission and state-regulated natural gas and electric utilities. We think it is unlikely that the FERC or the state regulatory frameworks will change. As with almost all regulated utilities, we believe regulatory caps on revenue and returns preclude NiSource from establishing a wide economic moat.

NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Bulls Say/Bears Say

Bulls Say

- We expect NiSource's annual dividend growth for its legacy utility business to average approximately 5% during the next five years.
- We believe the separation of the Columbia Pipeline Group from NiSource was good shareholder stewardship as the market should value the individual businesses with a higher valuation.
- New legislation has improved the regulatory framework in Indiana for NiSource's electric and natural gas distribution utilities.

Bears Say

- Almost 50% of NiSource's electric sales are to industrial customers, higher than most utilities. Industrial sales are more sensitive to the economy than residential and commercial sales.
- Although NiSource reports weather-normalized operating earnings, mild weather negatively affects GAAP earnings and cash flow.
- The CEO and CFO of NiSource went with the Columbia Pipeline Group following the separation. Although NiSource's new top executives have considerable utility experience, they are in new positions.

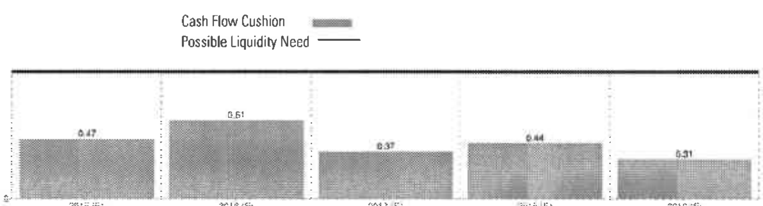
NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Five Year Adjusted Cash Flow Forecast (USD Mil)

	2015(E)	2016(E)	2017(E)	2018(E)	2019(E)
Cash and Equivalents (beginning of period)	50	138	109	122	125
Adjusted Available Cash Flow	399	248	317	334	279
Total Cash Available before Debt Service	449	386	426	456	404
Principal Payments	-542	-266	-755	-598	-809
Interest Payments	-417	-361	-402	-442	-496
Other Cash Obligations and Commitments	—	—	—	—	—
Total Cash Obligations and Commitments	-959	-627	-1,157	-1,040	-1,305

Cumulative Annual Cash Flow Cushion



Adjusted Cash Flow Summary

	USD Millions	% of Commitments
Beginning Cash Balance	50	1.0
Sum of 5-Year Adjusted Free Cash Flow	1,577	31.0
Sum of Cash and 5-Year Cash Generation	1,627	32.0
Revolver Availability	1,500	29.5
Asset Adjusted Borrowings (Repayment)	—	—
Sum of Cash, 5-Year Cash Generation, Revolver and Adjustments	3,127	61.4
Sum of 5-Year Cash Commitments	-5,089	—

Financial Health

We believe the ongoing dividend reinvestment program is likely to provide sufficient equity during the next five years to retain a strong balance sheet for the legacy utility business following the separation of the Columbia Pipeline Group.

In late 2014, management indicated they now plan to invest $30 billion during the next 20-plus years. This plan is consistent with our estimate of approximately $1.3 billion to $1.5 billion per year during the next five years. The majority of investment opportunities at its utilities are infrastructure improvements or environmental projects with rate tracker mechanisms. These investments have a high level of certainty of recovery in rates and, in many cases, at preapproved returns. Therefore, the higher level of capital expenditures are not a concern.

NiSource began increasing its dividend in 2012, the first increase in 10 years following a dividend cut in 2003 to strengthen its balance sheet after the Columbia Energy Group acquisition. NiSource plans to reduce its common dividend to $0.62 per share annualized following the Columbia Pipeline Group separation on July 1, 2015. Management expects the company to continue 4%-6% long-term annual dividend growth following the separation, consistent with our 5% dividend growth assumption.

Enterprise Risk

Regulatory risk remains the key uncertainty, as the majority of operating earnings are from businesses that are state- or FERC-regulated. That said, NiSource's regulatory exposure is diversified due to operations in seven states and its federal-regulated electric transmission system. NiSource has reduced some of the regulatory uncertainty related to its planned natural gas distribution and electric utilities investments by securing preapprovals and favorable rate mechanisms.In early 2011, NiSource reached a

NiSource Inc NI [NYSE] | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

settlement agreement with the U.S. Environmental Protection Agency that requires about $850 million of capital improvements to air pollution control systems at three coal-fired power plants. NiSource expects to complete the improvements by 2018. Although this provides some certainty that the plants will continue to operate, environmental rules could become stricter, requiring additional capital investment or added operating cost that may have uncertain cost recovery in regulated rates. This is a risk facing all power plants, especially coal-fired ones.

NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
ROBERT C. SKAGGS,JR	CEO/Director/President,Director	766,381	24 Mar 2015	—
STEPHEN P. SMITH	Executive VP/CFO	305,798	18 Feb 2015	—
CARRIE J. HIGHTMAN	Executive VP/Other Executive Officer	175,963	18 Feb 2015	—
GLEN L. KETTERING	CEO, Divisional/Executive VP	131,940	18 Feb 2015	—
W. LEE NUTTER	Director	129,628	12 May 2015	—
ROBERT D. CAMPBELL	Senior VP, Divisional	111,484	25 Feb 2015	—
JOSEPH HAMROCK		107,885	18 Feb 2015	—
EILEEN O'NEILL ODUM		97,086	24 Mar 2009	—

*Represents the date on which the owner's name, position, and common shares held were reported by the holder or issuer.

Fund Ownership

Top Owners	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
T. Rowe Price Equity Income Fund	2.92	1.43	—	31 Mar 2015
Vanguard Mid-Cap Index Fund	1.97	0.44	112	31 May 2015
Vanguard Total Stock Mkt Idx	1.76	0.06	2	31 May 2015
Deutsche Global Infrastructure Fund	1.52	3.55	-313	31 May 2015
Tortoise MLP & Pipeline Fund	1.25	8.25	149	28 Feb 2015
Concentrated Holders				
Tortoise MLP & Pipeline Fund	1.25	8.25	149	28 Feb 2015
Tortoise VIP MLP & Pipeline Portfolio	—	8.22	0	28 Feb 2015
Tortoise Pipeline & Energy	0.22	7.05	150	28 Feb 2015
EIC Energy Utility Fund	0.03	5.19	—	31 May 2015
Hennessy Gas Utility Fund	0.75	4.86	9	31 Mar 2015

Institutional Transactions

Top 5 Buyers	% of Shares Held	% of Fund Assets	Shares Bought/ Sold (k)	Portfolio Date
Millennium Management LLC	1.75	0.46	3,930	31 Mar 2015
MFS Investment Management K.K.	1.46	0.10	2,782	31 Mar 2015
Fidelity Management and Research Company	5.65	0.11	1,968	31 Mar 2015
Cramer Rosenthal McGlynn, LLC	0.99	1.56	1,668	31 Mar 2015
Hitchwood Capital Management LP	0.41	3.06	1,300	31 Mar 2015
Top 5 Sellers				
Deutsche Inv Mgmt Americas Inc	1.77	1.01	-2,738	31 Mar 2015
Zimmer Partners LP	0.41	3.77	-1,710	31 Mar 2015
Adage Capital Partners Gp LLC	1.12	0.38	-1,540	31 Mar 2015
Deutsche Asset Mgmt Invst Gesenschaft	3.12	1.20	-1,140	31 Mar 2015
Morgan Stanley & Co Inc	0.10	0.02	-1,012	31 Mar 2015

Management 01 Jul 2015

We assign NiSource a Standard stewardship rating. We believe the formation of an MLP and the tax-free separation of CPG exhibited exemplary stewardship of shareholder capital. However, the CEO and CFO that drove those decisions left NiSource to go with CPG.

Joe Hamrock became CEO following the separation. He has been with NiSource since 2012 running the natural gas distribution business. Previously he was with American Electric Power. CFO Donald Brown joined NiSource in April. Previously he was with UGI Utilities and Constellation Energy. Thus, these individuals have significant utility experience, but are new to their jobs.

Except for the addition of Hamrock, the members of NiSource's board of directors were involved in the separation of CPG and oversight of investment decisions. This provides confidence that there will be continued good stewardship of shareholder capital.

NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Analyst Notes

Lowering NiSource's Fair Value Estimate Following Separation of Columbia Pipeline Group 01 Jul 2015
We are reducing our fair value estimate to $16 per share from $44 per share following the separation of the Columbia Pipeline Group from NiSource on July 1. Shareholders of record on June 19 will receive a separation dividend of one share of CPG stock for every share of NiSource. CPG shares will begin trading on the NYSE on July 2 under the symbol CPGX.

NiSource is expected to reduce its annual dividend to $0.62 per share from its current level of $1.04 per share beginning with the 2015 third-quarter dividend. However, when combined with the CPG expected dividend of $0.50 per share, NiSource shareholders that retain their CPG shares will experience about an 8% increase in the combined dividend.

Following the separation, NiSource will be a 100% regulated electric and natural gas utility with a low risk profile. NiSource has good to excellent regulatory frameworks in all of its jurisdictions. Therefore, we have a high level of confidence in the company receiving favorable regulatory outcomes for its planned $30 billion of investments during the next 20-plus years. That said, we note that both the CEO and CFO of NiSource left with CPG following the separation. Although the executives now filling these positions have significant utility experience, they are new to these roles. This creates some execution risk, in our opinion.

Management Meeting: Transmission Offers Upside to NiSource's Large Distribution Growth Plan 20 May 2015
We are reaffirming our narrow moat, stable moat trend, and $44 per share fair value estimate after meeting with NiSource's senior management at the American Gas Association Financial Forum in Palm Desert, California. Management detailed some of the key components of its $30 billion investment plan over the next 20 years and 4%-6% annual earnings growth forecast, excluding Columbia Pipeline Group. We expect CPG to begin trading independently on July 2.

Electric transmission investment opportunities offer some upside. There could be $600 million-$700 million of transmission projects for the company if the Mid-Continent Independent System Operator and PJM ISO can resolve so-called transmission seams between the two grids. NiSource will participate in a technical conference at FERC on June 15 to improve grid coordination. We don't expect any imminent changes, but we expect NiSource will be a leading candidate for any seams-related projects.

Regulatory support is the key to achieving management's earnings growth target, which is in line with our forecast. NiSource faces a likely cut in its allowed transmission return, but we don't expect it to have a material impact on our earnings growth outlook given its relatively small transmission business. In Indiana, management expects a constructive outcome for Senate Bill 560, which includes many progressive regulatory measures. Management said it has resolved most of the issues the state court of appeals ruled the utilities commission should have addressed, and it expects to make a filing next month.

Management doesn't expect any unusual tax items related to the CPG separation to affect its $1.00-$1.10 EPS guidance for 2016. The guidance is based on a normalized tax rate, which historically has been near 38%.

NiSource and Columbia Pipeline Group Provide Update on Separation; Combined Dividend to Increase 8% 14 May 2015

NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Analyst Notes

We are reaffirming our narrow moat, stable moat trend, and $44 per share fair value estimate after NiSource and Columbia Pipeline Group presented independent separation updates during which they provided initial dividend guidance and discussed their earnings outlooks. The NiSource-CPG separation is scheduled for July 1, with both companies trading independently on July 2. Upon separation, NiSource shareholders will retain their current shares of NiSource stock and receive one share of CPG stock for every share of NiSource common stock.

The companies announced their expected initial annual dividends following the separation; NiSource's dividend will be $0.62 per share and CPG's $0.50 per share. The combined dividend would represent about an 8% increase over the current NiSource common dividend of $1.04 per share.

Excluding CPG, NiSource initiated stand-alone 2016 operating EPS guidance of $1.00-$1.10 and a capital expenditure budget of $1.4 billion. Management also reiterated its 4%-6% postseparation long-term annual earnings and dividend growth targets.

Adjusted EBITDA growth for CPG following the separation is projected to be 20% through 2020. This is from a base of approximately $680 million this year. Based on this level of earnings growth, management expects to increase the dividend 15% annually.

NiSource and Columbia Pipeline Group Separation Scheduled for July 1 01 May 2015
We are reaffirming our narrow moat, stable moat trend, and $44 per share fair value estimate after NiSource reported 2015 first-quarter operating earnings per share of $0.85 versus $0.82 in the same period last year. Returns on the company's capital investment program across all business segments drove the solid results, which higher employee and administrative costs partially offset.

We reiterate our 4%-6% post-separation long-term annual earnings and dividend growth targets for NiSource's utilities. Adjusted EBITDA growth for the Columbia Pipeline Group following the separation is projected to be mid-to-upper teens. NiSource and CPG will hold separate investor webcasts on May 14 to provide more detail on their individual growth plans. NiSource management indicated to us in a follow-up call that it was still undecided if 2015 earnings guidance would be provided at the NiSource webcast because of the companies' consolidated results in the first half of the year.

The NiSource-CPG separation is scheduled for July 1, with both companies trading independently on July 2. Upon separation, NiSource shareholders would retain their current shares of NiSource stock and receive one share of CPG stock for every share of NiSource common stock.

NiSource Posts Strong 2014 Results; Midyear Separation of CPG On Track 20 Feb 2015
We are reaffirming our narrow moat and stable moat trend ratings and $33 fair value estimate after NiSource reported strong 2014 operating earnings per share of $1.72 versus $1.58 in 2013. The results were $0.02 per share higher than our estimate and a penny above consensus. The strong results were driven by returns on the company's stepped-up capital investment program across all business segments.

Plans to separate Columbia Pipeline Group into a stand-alone, publicly traded company remain on track for a midyear completion. Upon separation, NiSource shareholders would retain their current shares of NiSource stock and receive a pro rata dividend of shares of CPG stock. The actual number

NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Analyst Notes

of CPG shares that NiSource shareholders will receive will be determined before closing.

NiSource completed the $1.2 billion initial public offering of common units of Columbia Pipeline Partners on Feb. 11. The offering was well received, as the $23 per unit IPO price was 15% higher than our assumption of $20. Wholly owned CPG owns 46.5% of the limited partner interest and 100% of the general partnership and incentive distribution rights.

Although management has not provided 2015 earnings guidance, it did reiterate long-term EPS growth and dividend growth of 4%-6% for NiSource Utilities after separation and mid- to upper teens adjusted EBITDA growth for CPG.

NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2012	2013	2014	Forecast 2015	Forecast 2016	5 Year Proj. CAGR
Revenue	2.4	-15.9	11.8	14.4	-18.1	4.3	0.8
EBIT	10.1	12.7	8.4	9.3	-32.6	7.4	2.0
EBITDA	7.9	9.6	6.4	7.8	-25.6	6.9	2.0
Net Income	11.1	12.4	13.0	8.1	-9.5	-28.7	1.0
Diluted EPS	7.7	7.9	8.3	7.0	-10.9	-29.2	-0.3
Earnings Before Interest, after Tax	2.2	4.1	-1.0	3.6	-37.8	20.5	-2.4
Free Cash Flow	-434.6	339.3	-637.2	58.7	-747.8	-103.0	—

Profitability	3-Year Hist. Avg	2012	2013	2014	2015	2016	5-Year Proj. Avg
Operating Margin %	19.8	20.5	19.9	19.0	15.7	16.1	17.3
EBITDA Margin %	30.0	31.6	30.1	28.4	25.8	26.5	27.5
Net Margin %	8.5	8.6	8.7	8.3	9.1	6.2	7.4
Free Cash Flow Margin %	-4.9	1.4	-6.7	-9.3	73.6	-2.1	13.1
ROIC %	5.7	5.8	5.7	5.7	3.7	5.0	4.5
Adjusted ROIC %	7.2	7.4	7.1	7.0	4.6	6.4	5.7
Return on Assets %	2.2	2.0	2.4	2.2	2.1	1.6	1.9
Return on Equity %	8.7	7.9	9.3	8.8	7.7	5.3	6.5

Leverage	3-Year Hist. Avg	2012	2013	2014	2015	2016	5-Year Proj. Avg
Debt/Capital	0.60	0.59	0.60	0.62	0.51	0.52	0.53
Total Debt/EBITDA	5.23	5.06	5.19	5.45	4.90	4.93	4.77
EBITDA/Interest Expense	4.02	3.83	4.11	4.14	3.27	4.04	3.84

Valuation Summary and Forecasts

	2013	2014	2015(E)	2016(E)
Price/Fair Value	1.22	1.33	—	—
Price/Earnings	20.8	25.1	30.3	42.9
EV/EBITDA	11.0	12.6	16.9	15.8
EV/EBIT	16.7	18.8	27.8	25.9
Free Cash Flow Yield %	-4.4	-5.3	-0.8	-2.4
Dividend Yield %	3.0	2.4	1.9	1.4

Key Valuation Drivers

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	5.8
Long-Run Tax Rate %	35.0
Stage II EBI Growth Rate %	3.0
Stage II Investment Rate %	51.7
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	3,263	21.0	10.13
Present Value Stage II	2,912	18.7	9.04
Present Value Stage III	9,383	60.3	29.13
Total Firm Value	**15,557**	**100.0**	**48.29**
Cash and Equivalents	80	—	0.25
Debt	-9,999	—	-31.04
Preferred Stock	—	—	—
Other Adjustments	-470	—	-1.46
Equity Value	**5,168**	—	**16.04**
Projected Diluted Shares	322		
Fair Value per Share (USD)	—		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in December

	2012	2013	2014	*Forecast 2015*	*Forecast 2016*
Revenue	**5,061**	**5,657**	**6,471**	***5,297***	***5,522***
Cost of Goods Sold	1,542	1,816	2,224	*2,258*	*2,345*
Gross Profit	**3,520**	**3,842**	**4,246**	***3,038***	***3,178***
Selling, General & Administrative Expenses	1,663	1,874	2,136	*1,416*	*1,459*
Other Operating Expense (Income)	288	301	320	*245*	*253*
Other Operating Expense (Income)	-32	-36	-47	*10*	*5*
Depreciation & Amortization (if reported separately)	562	577	606	*536*	*570*
Operating Income (ex charges)	**1,039**	**1,126**	**1,231**	***830***	***891***
Restructuring & Other Cash Charges	-4	-18	-32	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**1,043**	**1,143**	**1,262**	***830***	***891***
Interest Expense	418	415	444	*417*	*361*
Interest Income	2	24	22	—	—
Pre-Tax Income	**626**	**753**	**841**	***413***	***530***
Income Tax Expense	216	262	310	*144*	*185*
Other After-Tax Cash Gains (Losses)	6	6	-1	—	—
Other After-Tax Non-Cash Gains (Losses)	—	35	—	*215*	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**416**	**532**	**530**	***483***	***344***
Weighted Average Diluted Shares Outstanding	300	314	317	*322*	*324*
Diluted Earnings Per Share	**1.39**	**1.70**	**1.67**	***1.50***	***1.06***
Adjusted Net Income	437	494	534	*483*	*344*
Diluted Earnings Per Share (Adjusted)	**1.46**	**1.58**	**1.69**	***1.50***	***1.06***
Dividends Per Common Share	0.94	0.98	1.02	*0.83*	*0.64*
EBITDA	**1,605**	**1,721**	**1,868**	***1,367***	***1,461***
Adjusted EBITDA	**1,601**	**1,703**	**1,836**	***1,367***	***1,461***

NiSource Inc NI (NYSE) ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2012	2013	2014	*Forecast* 2015	2016
Cash and Equivalents	83	35	50	*138*	*109*
Investments	—	—	—	—	—
Accounts Receivable	907	1,006	1,070	*871*	*908*
Inventory	496	500	616	*619*	*642*
Deferred Tax Assets (Current)	—	—	272	—	—
Other Short Term Assets	866	618	458	*500*	*500*
Current Assets	**2,352**	**2,159**	**2,467**	***2,127***	***2,159***
Net Property Plant, and Equipment	12,916	14,365	16,017	*14,152*	*14,940*
Goodwill	3,677	3,666	3,666	*3,529*	*3,529*
Other Intangibles	287	276	265	*265*	*265*
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,024	1,522	1,696	*500*	*500*
Long-Term Non-Operating Assets	588	666	755	*970*	*970*
Total Assets	**21,845**	**22,654**	**24,866**	***21,542***	***22,363***
Accounts Payable	539	619	671	*681*	*707*
Short-Term Debt	1,284	1,241	1,844	*1,000*	*1,000*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,479	1,319	1,441	*1,500*	*1,400*
Current Liabilities	**3,302**	**3,178**	**3,955**	***3,181***	***3,107***
Long-Term Debt	6,819	7,593	8,156	*5,700*	*6,200*
Deferred Tax Liabilities (Long-Term)	2,953	3,278	3,662	*3,500*	*3,704*
Other Long-Term Operating Liabilities	1,593	1,687	1,674	*1,500*	*1,523*
Long-Term Non-Operating Liabilities	1,623	1,031	1,245	*1,245*	*1,245*
Total Liabilities	**16,290**	**16,767**	**18,691**	***15,126***	***15,778***
Preferred Stock	—	—	—	—	—
Common Stock	3	3	3	*3*	*3*
Additional Paid-in Capital	4,598	4,690	4,788	*4,818*	*4,853*
Retained Earnings (Deficit)	1,060	1,286	1,494	*1,710*	*1,849*
(Treasury Stock)	-41	-49	-59	*-59*	*-59*
Other Equity	-66	-44	-51	*-56*	*-61*
Shareholder's Equity	**5,554**	**5,887**	**6,175**	***6,417***	***6,585***
Minority Interest	—	—	—	—	—
Total Equity	**5,554**	**5,887**	**6,175**	***6,417***	***6,585***

NiSource Inc NI [NYSE] ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Cash Flow (USD Mil)

Fiscal Year Ends in December	2012	2013	2014	Forecast 2015	Forecast 2016
Net Income	416	532	530	*483*	*344*
Depreciation	562	577	606	*536*	*570*
Amortization	—	—	—	—	—
Stock-Based Compensation	45	51	72	*35*	*36*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	305	287	299	*111*	*204*
Other Non-Cash Adjustments	25	-65	-50	*-215*	—
(Increase) Decrease in Accounts Receivable	-51	-95	-63	*199*	*-37*
(Increase) Decrease in Inventory	62	-9	-120	*-3*	*-24*
Change in Other Short-Term Assets	-157	81	9	*-42*	—
Increase (Decrease) in Accounts Payable	57	68	38	*10*	*26*
Change in Other Short-Term Liabilities	—	—	—	*59*	*-100*
Cash From Operations	**1,264**	**1,427**	**1,321**	***1,175***	***1,020***
(Capital Expenditures)	-1,499	-1,880	-2,029	*-1,283*	*-1,358*
Net (Acquisitions), Asset Sales, and Disposals	26	18	13	*2,750*	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	51	-148	-101	*1,023*	*23*
Cash From Investing	**-1,422**	**-2,010**	**-2,117**	***2,489***	***-1,336***
Common Stock Issuance (or Repurchase)	374	36	20	*30*	*35*
Common Stock (Dividends)	-273	-306	-321	*-267*	*-206*
Short-Term Debt Issuance (or Retirement)	-582	-78	878	*-844*	—
Long-Term Debt Issuance (or Retirement)	656	794	219	*-2,456*	*500*
Other Financing Cash Flows	—	—	—	*-35*	*-36*
Cash From Financing	**175**	**445**	**796**	***-3,572***	***293***
Exchange Rates, Discontinued Ops, etc. (net)	8	129	-1	*-5*	*-5*
Net Change in Cash	**25**	**-10**	**-1**	***87***	***-28***

NiSource Inc NI (NYSE) ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

Valuation Analysis

Company/Ticker	Price/Fair Value	Price/Earnings 2014	2015(E)	2016(E)	EV/EBITDA 2014	2015(E)	2016(E)	Price/Free Cash Flow 2014	2015(E)	2016(E)	Price/Book 2014	2015(E)	2016(E)	Price/Sales 2014	2015(E)	2016(E)
Dominion Resources Inc D USA	0.96	22.4	18.1	17.3	16.3	11.7	10.9	NM	NM	NM	3.9	3.0	2.6	3.6	2.6	2.4
Sempra Energy SRE USA	1.03	24.8	20.5	19.2	13.5	11.3	10.6	NM	NM	NM	2.4	2.1	1.9	2.5	2.1	2.0
CenterPoint Energy Inc CNP USA	0.83	18.6	18.3	17.7	9.0	9.5	9.0	403.0	NM	NM	2.2	1.8	1.8	1.1	0.9	0.9
Average		21.9	19.0	18.1	12.9	10.8	10.2	403.0	—	—	2.8	2.3	2.1	2.4	1.9	1.8
NiSource Inc NI US	**1.03**	**25.1**	**30.3**	**42.9**	**12.6**	**16.9**	**15.8**	**NM**	**NM**	**NM**	**2.2**	**2.2**	**2.2**	**2.1**	**2.7**	**2.6**

Returns Analysis

Company/Ticker	Last Historical Year Total Assets (Mil)	ROIC % 2014	2015(E)	2016(E)	Adjusted ROIC % 2014	2015(E)	2016(E)	Return on Equity % 2014	2015(E)	2016(E)	Return on Assets % 2014	2015(E)	2016(E)	Dividend Yield % 2014	2015(E)	2016(E)
Dominion Resources Inc D USA	54,327 USD	—	—	—	5.7	7.4	7.4	11.4	18.1	16.8	2.5	3.9	4.0	3.1	3.9	4.3
Sempra Energy SRE USA	39,732 USD	—	—	—	5.0	6.2	6.1	10.4	10.5	10.7	3.0	3.0	3.1	2.2	2.9	3.1
CenterPoint Energy Inc CNP USA	23,200 USD	—	—	—	6.8	7.5	8.1	13.8	9.8	10.2	2.7	2.0	2.2	4.1	5.2	5.5
Average		—	—	—	5.8	7.0	7.2	11.9	12.8	12.6	2.7	3.0	3.1	3.1	4.0	4.3
NiSource Inc NI US	**24,866 USD**	**5.7**	**3.7**	**5.0**	**7.0**	**4.6**	**6.4**	**8.8**	**7.7**	**5.3**	**2.2**	**2.1**	**1.6**	**2.4**	**1.9**	**1.4**

Growth Analysis

Company/Ticker	Last Historical Year Revenue (Mil)	Revenue Growth % 2014	2015(E)	2016(E)	EBIT Growth % 2014	2015(E)	2016(E)	EPS Growth % 2014	2015(E)	2016(E)	Free Cash Flow Growth % 2014	2015(E)	2016(E)	Dividend/Share Growth % 2014	2015(E)	2016(E)
Dominion Resources Inc D USA	12,436 USD	-5.2	23.9	6.4	-17.9	54.2	6.8	5.6	7.9	4.9	-374.8	-167.2	29.8	6.7	7.9	7.9
Sempra Energy SRE USA	11,035 USD	4.5	4.8	4.0	-2.7	16.2	8.1	—	7.4	7.1	-336.9	-75.7	16.1	—	11.1	6.0
CenterPoint Energy Inc CNP USA	9,226 USD	13.8	-5.5	3.9	-7.4	-11.1	8.5	5.2	-18.2	4.1	-40.4	871.9	-101.0	14.5	4.2	4.0
Average		4.4	7.7	4.8	-9.3	19.8	7.8	5.4	-1.0	5.4	-250.7	209.7	-18.4	10.6	7.7	6.0
NiSource Inc NI US	**6,471 USD**	**14.4**	**-18.1**	**4.3**	**9.3**	**-32.6**	**7.4**	**7.0**	**-10.9**	**-29.2**	**58.7**	**-747.8**	**-103.0**	**4.1**	**-18.6**	**-23.4**

NiSource Inc NI (NYSE) ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

Profitability Analysis

Company/Ticker	Last Historical Year Net Income (Mil)	Gross Margin % 2014	2015(E)	2016(E)	EBITDA Margin % 2014	2015(E)	2016(E)	Operating Margin % 2014	2015(E)	2016(E)	Net Margin % 2014	2015(E)	2016(E)	Free Cash Flow Margin % 2014	2015(E)	2016(E)
Dominion Resources Inc D USA	2,003 USD	58.9	59.0	59.0	34.4	36.5	36.9	21.9	27.2	27.3	16.1	14.3	14.5	-16.9	-3.2	-3.9
Sempra Energy SRE USA	1,116 USD	56.9	57.5	58.4	27.4	29.3	30.2	16.9	18.7	19.5	10.1	10.5	10.8	-8.7	-3.0	-3.4
CenterPoint Energy Inc CNP USA	546 USD	46.7	44.0	44.2	21.1	18.8	19.3	10.1	9.5	10.0	5.9	5.1	5.2	0.3	-2.6	-1.8
Average		54.2	53.5	53.9	27.6	28.2	28.8	16.3	18.5	18.9	10.7	10.0	10.2	-8.4	-2.9	-3.0
NiSource Inc NI US	**534** USD	**65.6**	**57.4**	**57.5**	**28.4**	**25.8**	**26.5**	**19.0**	**15.7**	**16.1**	**8.3**	**9.1**	**6.2**	**-10.9**	**-2.1**	**-6.1**

Leverage Analysis

Company/Ticker	Last Historical Year Total Debt (Mil)	Debt/Equity % 2014	2015(E)	2016(E)	Debt/Total Cap % 2014	2015(E)	2016(E)	EBITDA/Interest Exp. 2014	2015(E)	2016(E)	Total Debt/EBITDA 2014	2015(E)	2016(E)	Assets/Equity 2014	2015(E)	2016(E)
Dominion Resources Inc D USA	25,955 USD	224.6	197.7	169.2	69.2	66.4	62.9	3.6	6.3	6.6	6.1	4.7	4.3	4.7	4.4	4.0
Sempra Energy SRE USA	14,369 USD	126.6	128.3	130.4	55.9	56.2	56.6	5.4	5.9	5.7	4.8	4.5	4.5	3.5	3.5	3.5
CenterPoint Energy Inc CNP USA	8,857 USD	194.7	148.0	161.2	66.1	59.7	61.7	4.1	4.4	4.1	4.5	4.1	4.3	5.1	4.7	4.8
Average		182.0	158.0	153.6	63.7	60.8	60.4	4.4	5.5	5.5	5.1	4.4	4.4	4.4	4.2	4.1
NiSource Inc NI US	**9,999** USD	**161.9**	**104.4**	**109.3**	**61.8**	**51.1**	**52.2**	**4.1**	**3.3**	**4.0**	**5.4**	**4.9**	**4.9**	**4.0**	**3.4**	**3.4**

Liquidity Analysis

Company/Ticker	Market Cap (Mil)	Cash per Share 2014	2015(E)	2016(E)	Current Ratio 2014	2015(E)	2016(E)	Quick Ratio 2014	2015(E)	2016(E)	Cash/Short-Term Debt 2014	2015(E)	2016(E)	Payout Ratio % 2014	2015(E)	2016(E)
Dominion Resources Inc D USA	39,526 USD	0.57	0.63	0.78	0.78	0.76	0.78	0.78	0.60	0.62	0.08	0.09	0.12	107.1	70.0	72.0
Sempra Energy SRE USA	24,471 USD	2.27	1.65	1.56	0.83	0.83	0.84	0.75	0.75	0.76	0.26	0.21	0.20	57.0	58.1	57.5
CenterPoint Energy Inc CNP USA	8,208 USD	0.69	0.68	0.66	0.94	0.94	0.92	0.83	0.83	0.80	0.35	0.39	0.38	67.1	95.6	95.6
Average		1.18	0.99	1.00	0.85	0.84	0.85	0.79	0.73	0.73	0.23	0.23	0.23	77.1	74.6	75.0
NiSource Inc NI US	**14,425** USD	**0.16**	**0.43**	**0.34**	**0.62**	**0.67**	**0.70**	**0.47**	**0.47**	**0.49**	**0.03**	**0.14**	**0.11**	**60.9**	**55.2**	**59.7**

Research Methodology for Valuing Companies

Components of Our Methodology

- Economic Moat™ Rating
- Moat Trend™ Rating
- Moat Valuation
- Three-Stage Discounted Cash Flow
- Weighted Average Cost of Capital
- Fair Value Estimate
- Scenario Analysis
- Uncertainty Ratings
- Margin of Safety
- Consider Buying/Selling
- Stewardship Rating

The Morningstar Rating for stocks identifies companies trading at a discount or premium to our analysts' assessment of their fair value. A number of components drive this rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's intrinsic value based on a discounted cash-flow model, (3) the margin of safety bands we apply to our Fair Value Estimate, and (4) the current stock price relative to our fair value estimate.

The concept of the Morningstar Economic Moat™ Rating plays a vital role not only in our qualitative assessment of a firm's investment potential, but also in our valuation process. We assign three moat ratings—none, narrow, or wide—as well as the Morningstar Moat Trend™ Rating—positive, stable, or negative—to each company we cover. There are two major requirements for firms to earn either a narrow or wide moat rating: (1) the prospect of earning above-average returns on capital; and (2) some competitive edge that prevents these returns from quickly eroding. The assumptions we make about a firm's moat determine the length of "economic outperformance" that we assume in the latter stages of our valuation model. We also quantify the value of each firm's moat, which represents the difference between a firm's enterprise value and the value of the firm if no future net investment were to occur. Said differently, moat value identifies the value generated by the firm as a result of any future net new investment. Our Moat Trend Rating reflects our assessment of whether each firm's competitive advantage is either getting stronger or weaker, since we think of moats as dynamic, rather than static.

At the heart of our valuation system is a detailed projection of a company's future cash flows. The first stage of our three-stage discounted cash flow model can last from 5 to 10 years and contains numerous detailed assumptions about various financial and operating items. The second stage of our model—where a firm's return on new invested capital (RONIC) and earnings growth rate implicitly fade until the perpetuity year—can last anywhere from 0 years (for no-moat firms) to 20 years (for wide-moat companies). In our third stage, we assume the firm's RONIC equals its weighted average cost of capital, and we calculate a continuing value using a standard

Morningstar Research Methodology for Valuing Companies

Analyst conducts company and industry research:

- Financial statement analysis
- Channel checks
- Trade-show visits
- Industry and company reports and journals
- Conference calls
- Management and site visits

Strength of competitive advantage is rated: None, Narrow, or Wide

Advantages that confer an economic moat:

High Switching Costs
(Microsoft)

Cost advantage
(Wal-Mart)

Intangible assets
(Johnson & Johnson)

Network Effect
(Mastercard)

Efficient Scale
(Lockheed Martin)

Analyst considers past financial results and focuses on competitive position and future prospects to forecast future cash flows.

Assumptions are entered into Morningstar's proprietary discounted cash-flow model.

Analyst uses a discounted cash-flow model to develop a Fair Value Estimate, which serves as the foundation for the Morningstar Rating for stocks.

The analyst then evaluates the range of potential intrinsic values for the company and assigns an Uncertainty Rating: Low, Medium, High, Very High, or Extreme.

The Uncertainty Rating determines the margin of safety required before we would recommend the stock. The higher the uncertainty, the wider the margin of safety.

The current stock price relative to Morningstar's Fair Value Estimate, adjusted for uncertainty, determines the Morningstar Rating for stocks.

The Morningstar Rating for stocks is updated each evening after the market closes.

Research Methodology for Valuing Companies

Detailed Methodology Documents and Materials*

- Comprehensive Equity Research Methodology
- Uncertainty Methodology
- Cost of Equity Methodology
- Morningstar DCF Valuation Model
- Stewardship Rating Methodology

* Please contact a sales representative for more information.

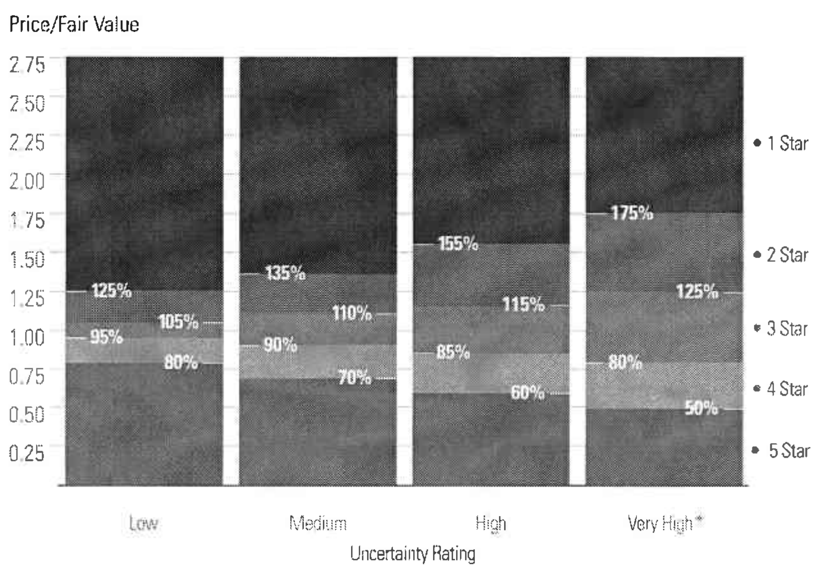
perpetuity formula. In deciding on the rate at which to discount future cash flows, we ignore stock-price volatility. Instead, we rely on a system that measures the estimated volatility of a firm's underlying future free cash flows, taking into account fundamental factors such as the diversity of revenue sources and the firm's fixed cost structure.

We also employ a number of other tools to augment our valuation process, including scenario analysis, where we assess the likelihood and performance of a business under different economic and firm-specific conditions. Our analysts typically model three to five scenarios for each company we cover, stress-testing the model and examining the distribution of resulting fair values.

The Morningstar Uncertainty Rating captures the range of these potential fair values, based on an assessment of a company's future sales range, the firm's operating and financial leverage, and any other contingent events that may impact the business. Our analysts use this range to assign an appropriate margin of safety—or the discount/premium to a fair value we apply in setting our consider buying/consider selling prices. Firms trading below our consider-buying prices receive our highest rating of five stars, whereas firms trading above our consider-selling prices receive our lowest rating of one star.

Our corporate Stewardship Rating represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

Morningstar Margin of Safety and Star Rating Bands

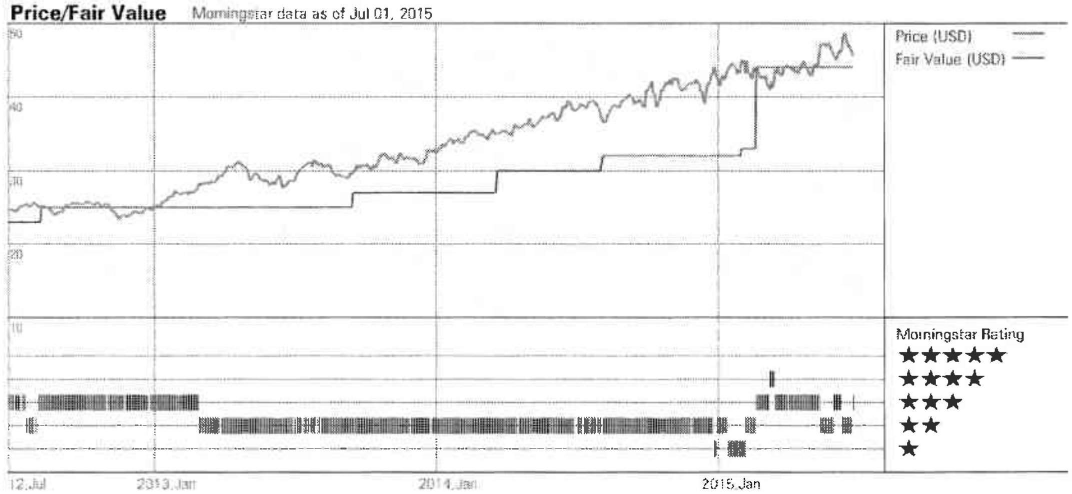


* Occasionally a stock's uncertainty will be too high for us to estimate, in which case we label it Extreme.

NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Price/Fair Value Morningstar data as of Jul 01, 2015



 Unless stated otherwise, this report was prepared by the person(s) noted in their capacity as Equity Analysts employed by Morningstar, Inc., or one of its affiliates. It has not been made available to the issuer prior to publication.

The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic value.

Five-star stocks sell for the biggest risk-adjusted discount whereas one-star stocks trade at premiums to their intrinsic value. Based on a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's Equity Analysts, four key components drive the Morningstar Rating: 1. Assessment of the firm's economic moat, 2. Estimate of the stock's fair value, 3. Uncertainty around that fair value estimate and 4. Current market price. Further information on Morningstar's methodology is available from http://global.morningstar.com/equitydisclosures.

This Research Report is current as of the date on the report until it is replaced, updated or withdrawn. This report may be withdrawn or changed at any time as other information becomes available to us. This report will be updated if events affecting the report materially change.

Conflicts of Interest:

-No material interests are held by Morningstar or the Equity Analyst in the financial products that are the subject of the research reports or the product.

-Equity Analysts are required to comply with the CFA Institute's Code of Ethics and Standards of Professional Conduct.

-Equity Analysts' compensation is derived from Morningstar's overall earning and consists of salary, bonus and in some cases restricted stock.

-Equity Analysts do not influence Morningstar's investment management group's business arrangements nor allow employees from the investment management group to participate or influence the analysis or opinion prepared by them. Morningstar will not receive any direct benefit from the publication of this report. Morningstar does not receive commissions for providing research and does not charge companies to be rated.

-Equity Analysts use publicly available information.

NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

-Morningstar may provide the product issuer or its related entities with services or products for a fee and on an arms length basis including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship and website advertising.

-Further information on Morningstar's conflict of interest policies is available from http://global.morningstar.com/equitydisclosures.

If you wish to obtain further information regarding previous research reports and recommendations and our services, please contact your local Morningstar office.

Unless otherwise provided in a separate agreement, you may use this report only in the country in which its distributor is based.

Unless stated otherwise, the original distributor of this document is Morningstar Inc. The information contained herein is not represented or warranted to be accurate, correct, complete, or timely. This report is for information purposes only, and should not be considered a solicitation to buy or sell any security. Redistribution is prohibited without permission.

For Recipients in Hong Kong: The research is prepared and issued by Morningstar Investment Management Asia Limited, which is regulated by the Hong Kong Securities and Futures Commission to provide investment research, non-discretionary investment consulting services, and discretionary investment management services to professional investors only. Neither Morningstar Investment Management Asia Limited, nor its representatives, are acting or will be deemed to be acting as an investment manager or advisor to any recipients of this information unless expressly agreed to by Morningstar Investment Management Asia Limited. For enquiries regarding this information, please contact a Morningstar Investment Management Asia Limited Licensed Representative at http://global.morningstar.com/equitydisclosures.

For Recipients in India: Research on securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 ("Investment Research") is prepared by Morningstar Investment Adviser India Private Limited, which is registered with the Securities and Exchange Board of India. Investment Research is intended for educational purposes only; it is not intended to be an offer, solicitation, or call-to-action for the purchase or sale of a security. You should seek the advice of a financial professional before making an investment decision to ensure, among other things, that the security is suitable based on your particular needs and circumstances.

NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Lowering NiSource's Fair Value Estimate Following Separation of Columbia Pipeline Group

Charles Fishman, CFA
Equity Analyst
charles.fishman@morningstar.com
312-696-6523

The primary analyst covering this company does not own its stock.

Research as of 01 Jul 2015
Estimates as of 30 Jun 2015
Pricing data as of 01 Jul 2015 15:20
Rating updated as of 01 Jul 2015 17:44

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Analyst Note 01 Jul 2015

We are reducing our fair value estimate to $16 per share from $44 per share following the separation of the Columbia Pipeline Group from NiSource on July 1. Shareholders of record on June 19 will receive a separation dividend of one share of CPG stock for every share of NiSource. CPG shares will begin trading on the NYSE on July 2 under the symbol CPGX.

NiSource is expected to reduce its annual dividend to $0.62 per share from its current level of $1.04 per share beginning with the 2015 third-quarter dividend. However, when combined with the CPG expected dividend of $0.50 per share, NiSource shareholders that retain their CPG shares will experience about an 8% increase in the combined dividend.

Following the separation, NiSource will be a 100% regulated electric and natural gas utility with a low risk profile. NiSource has good to excellent regulatory frameworks in all of its jurisdictions. Therefore, we have a high level of confidence in the company receiving favorable regulatory outcomes for its planned $30 billion of investments during the next 20-plus years. That said, we note that both the CEO and CFO of NiSource left with CPG following the separation. Although the executives now filling these positions have significant utility experience, they are new to these roles. This creates some execution risk, in our opinion.

Vital Statistics

Market Cap (USD Mil)	14,425
52-Week High (USD)	49.16
52-Week Low (USD)	36.00
52-Week Total Return %	18.7
YTD Total Return %	8.4
Last Fiscal Year End	31 Dec 2014
5-Yr Forward Revenue CAGR %	0.8
5-Yr Forward EPS CAGR %	-0.3
Price/Fair Value	1.03

Valuation Summary and Forecasts

Fiscal Year:	2013	2014	2015(E)	2016(E)
Price/Earnings	20.8	25.1	*30.3*	*42.9*
EV/EBITDA	11.0	12.6	*16.9*	*15.8*
EV/EBIT	16.7	18.8	*27.8*	*25.9*
Free Cash Flow Yield %	-4.4	-5.3	*-0.8*	*-2.4*
Dividend Yield %	3.0	2.4	*1.9*	*1.4*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2013	2014	2015(E)	2016(E)
Revenue	5,657	6,471	*5,297*	*5,522*
Revenue YoY %	11.8	14.4	*-18.1*	*4.3*
EBIT	1,126	1,231	*830*	*891*
EBIT YoY %	8.4	9.3	*-32.6*	*7.4*
Net Income, Adjusted	494	534	*483*	*344*
Net Income YoY %	13.0	8.1	*-9.5*	*-28.7*
Diluted EPS	1.58	1.69	*1.50*	*1.06*
Diluted EPS YoY %	8.3	7.0	*-10.9*	*-29.2*
Free Cash Flow	-379	-602	*3,900*	*-118*
Free Cash Flow YoY %	-637.2	58.7	*-747.8*	*-103.0*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with 3.4 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. NiSource's electric utility transmits and distributes electricity in northern Indiana. The regulated electric utility also owns almost 3,300 MW of generation capacity, most of which is coal-fired. In 2014, the company generated 77% of the electricity it sold to customers.

NiSource Inc NI (NYSE) ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2012	2013	2014	*Forecast* 2015	*Forecast* 2016	*5 Year Proj. CAGR*
Revenue	*2.4*	-15.9	11.8	14.4	*-18.1*	*4.3*	*0.8*
EBIT	*10.1*	12.7	8.4	9.3	*-32.6*	*7.4*	*2.0*
EBITDA	*7.9*	9.6	6.4	7.8	*-25.6*	*6.9*	*2.0*
Net Income	*11.1*	12.4	13.0	8.1	*-9.5*	*-28.7*	*1.0*
Diluted EPS	*7.7*	7.9	8.3	7.0	*-10.9*	*-29.2*	*-0.3*
Earnings Before Interest, after Tax	*2.2*	4.1	-1.0	3.6	*-37.8*	*20.5*	*-2.4*
Free Cash Flow	*-434.6*	339.3	-637.2	58.7	*-747.8*	*-103.0*	—

Profitability	3-Year Hist. Avg	2012	2013	2014	*2015*	*2016*	*5-Year Proj. Avg*
Operating Margin %	*19.8*	20.5	19.9	19.0	*15.7*	*16.1*	*17.3*
EBITDA Margin %	*30.0*	31.6	30.1	28.4	*25.8*	*26.5*	*27.5*
Net Margin %	*8.5*	8.6	8.7	8.3	*9.1*	*6.2*	*7.4*
Free Cash Flow Margin %	*-4.9*	1.4	-6.7	-9.3	*73.6*	*-2.1*	*13.1*
ROIC %	*5.7*	5.8	5.7	5.7	*3.7*	*5.0*	*4.5*
Adjusted ROIC %	*7.2*	7.4	7.1	7.0	*4.6*	*6.4*	*5.7*
Return on Assets %	*2.2*	2.0	2.4	2.2	*2.1*	*1.6*	*1.9*
Return on Equity %	*8.7*	7.9	9.3	8.8	*7.7*	*5.3*	*6.5*

Leverage	3-Year Hist. Avg	2012	2013	2014	*2015*	*2016*	*5-Year Proj. Avg*
Debt/Capital	*0.60*	0.59	0.60	0.62	*0.51*	*0.52*	*0.53*
Total Debt/EBITDA	*5.23*	5.06	5.19	5.45	*4.90*	*4.93*	*4.77*
EBITDA/Interest Expense	*4.02*	3.83	4.11	4.14	*3.27*	*4.04*	*3.84*

Valuation Summary and Forecasts

	2013	2014	*2015(E)*	*2016(E)*
Price/Fair Value	1.22	1.33	—	—
Price/Earnings	20.8	25.1	*30.3*	*42.9*
EV/EBITDA	11.0	12.6	*16.9*	*15.8*
EV/EBIT	16.7	18.8	*27.8*	*25.9*
Free Cash Flow Yield %	-4.4	-5.3	*-0.8*	*-2.4*
Dividend Yield %	3.0	2.4	*1.9*	*1.4*

Key Valuation Drivers

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	5.8
Long-Run Tax Rate %	35.0
Stage II EBI Growth Rate %	3.0
Stage II Investment Rate %	51.7
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	3,263	21.0	10.13
Present Value Stage II	2,912	18.7	9.04
Present Value Stage III	9,383	60.3	29.13
Total Firm Value	**15,557**	**100.0**	**48.29**
Cash and Equivalents	80	—	0.25
Debt	-9,999	—	-31.04
Preferred Stock	—	—	—
Other Adjustments	-470	—	-1.46
Equity Value	**5,168**	—	**16.04**
Projected Diluted Shares	322		
Fair Value per Share (USD)	—		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

NiSource Inc NI (NYSE) ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in December

				Forecast	
	2012	2013	2014	*2015*	*2016*
Revenue	**5,061**	**5,657**	**6,471**	***5,297***	***5,522***
Cost of Goods Sold	1,542	1,816	2,224	*2,258*	*2,345*
Gross Profit	**3,520**	**3,842**	**4,246**	***3,038***	***3,178***
Selling, General & Administrative Expenses	1,663	1,874	2,136	*1,416*	*1,459*
Other Operating Expense (Income)	288	301	320	*245*	*253*
Other Operating Expense (Income)	-32	-36	-47	*10*	*5*
Depreciation & Amortization (if reported separately)	562	577	606	*536*	*570*
Operating Income (ex charges)	**1,039**	**1,126**	**1,231**	***830***	***891***
Restructuring & Other Cash Charges	-4	-18	-32	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**1,043**	**1,143**	**1,262**	***830***	***891***
Interest Expense	418	415	444	*417*	*361*
Interest Income	2	24	22	—	—
Pre-Tax Income	**626**	**753**	**841**	***413***	***530***
Income Tax Expense	216	262	310	*144*	*185*
Other After-Tax Cash Gains (Losses)	6	6	-1	—	—
Other After-Tax Non-Cash Gains (Losses)	—	35	—	*215*	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**416**	**532**	**530**	***483***	***344***
Weighted Average Diluted Shares Outstanding	300	314	317	*322*	*324*
Diluted Earnings Per Share	**1.39**	**1.70**	**1.67**	***1.50***	***1.06***
Adjusted Net Income	437	494	534	*483*	*344*
Diluted Earnings Per Share (Adjusted)	**1.46**	**1.58**	**1.69**	***1.50***	***1.06***
Dividends Per Common Share	0.94	0.98	1.02	*0.83*	*0.64*
EBITDA	**1,605**	**1,721**	**1,868**	***1,367***	***1,461***
Adjusted EBITDA	**1,601**	**1,703**	**1,836**	***1,367***	***1,461***

NiSource Inc NI (NYSE) ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December

				Forecast	
	2012	2013	2014	*2015*	*2016*
Cash and Equivalents	83	35	50	*138*	*109*
Investments	—	—	—	—	—
Accounts Receivable	907	1,006	1,070	*871*	*908*
Inventory	496	500	616	*619*	*642*
Deferred Tax Assets (Current)	—	—	272	—	—
Other Short Term Assets	866	618	458	*500*	*500*
Current Assets	**2,352**	**2,159**	**2,467**	***2,127***	***2,159***
Net Property Plant, and Equipment	12,916	14,365	16,017	*14,152*	*14,940*
Goodwill	3,677	3,666	3,666	*3,529*	*3,529*
Other Intangibles	287	276	265	*265*	*265*
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,024	1,522	1,696	*500*	*500*
Long-Term Non-Operating Assets	588	666	755	*970*	*970*
Total Assets	**21,845**	**22,654**	**24,866**	***21,542***	***22,363***
Accounts Payable	539	619	671	*681*	*707*
Short-Term Debt	1,284	1,241	1,844	*1,000*	*1,000*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,479	1,319	1,441	*1,500*	*1,400*
Current Liabilities	**3,302**	**3,178**	**3,955**	***3,181***	***3,107***
Long-Term Debt	6,819	7,593	8,156	*5,700*	*6,200*
Deferred Tax Liabilities (Long-Term)	2,953	3,278	3,662	*3,500*	*3,704*
Other Long-Term Operating Liabilities	1,593	1,687	1,674	*1,500*	*1,523*
Long-Term Non-Operating Liabilities	1,623	1,031	1,245	*1,245*	*1,245*
Total Liabilities	**16,290**	**16,767**	**18,691**	***15,126***	***15,778***
Preferred Stock	—	—	—	—	—
Common Stock	3	3	3	*3*	*3*
Additional Paid-in Capital	4,598	4,690	4,788	*4,818*	*4,853*
Retained Earnings (Deficit)	1,060	1,286	1,494	*1,710*	*1,849*
(Treasury Stock)	-41	-49	-59	*-59*	*-59*
Other Equity	-66	-44	-51	*-56*	*-61*
Shareholder's Equity	**5,554**	**5,887**	**6,175**	***6,417***	***6,585***
Minority Interest	—	—	—	—	—
Total Equity	**5,554**	**5,887**	**6,175**	***6,417***	***6,585***

NiSource Inc NI (NYSE) ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

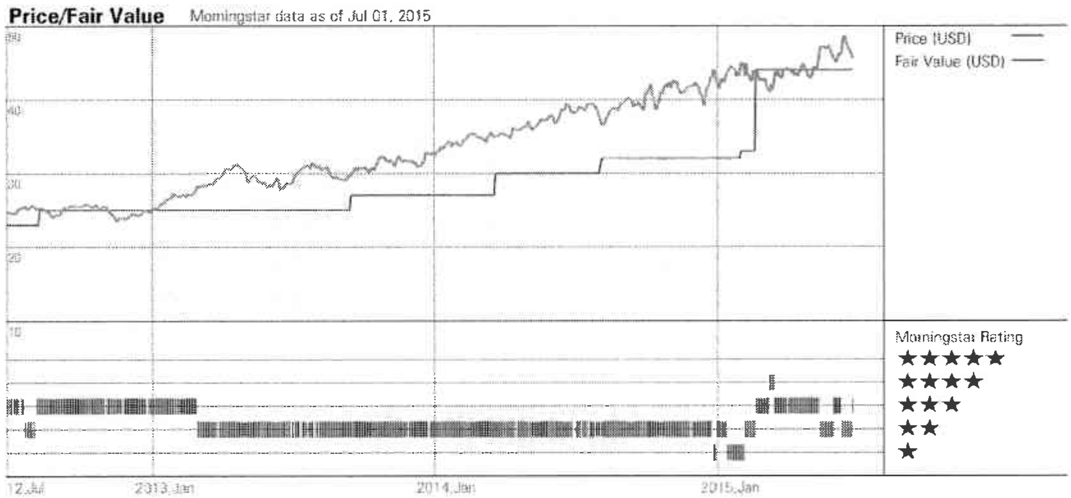
Morningstar Analyst Forecasts

Cash Flow (USD Mil)

Fiscal Year Ends in December	2012	2013	2014	*Forecast* 2015	*Forecast* 2016
Net Income	416	532	530	*483*	*344*
Depreciation	562	577	606	*536*	*570*
Amortization	—	—	—	—	—
Stock-Based Compensation	45	51	72	*35*	*36*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	305	287	299	*111*	*204*
Other Non-Cash Adjustments	25	-65	-50	*-215*	—
(Increase) Decrease in Accounts Receivable	-51	-95	-63	*199*	*-37*
(Increase) Decrease in Inventory	62	-9	-120	*-3*	*-24*
Change in Other Short-Term Assets	-157	81	9	*-42*	—
Increase (Decrease) in Accounts Payable	57	68	38	*10*	*26*
Change in Other Short-Term Liabilities	—	—	—	*59*	*-100*
Cash From Operations	**1,264**	**1,427**	**1,321**	***1,175***	***1,020***
(Capital Expenditures)	-1,499	-1,880	-2,029	*-1,283*	*-1,358*
Net (Acquisitions), Asset Sales, and Disposals	26	18	13	*2,750*	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	51	-148	-101	*1,023*	*23*
Cash From Investing	**-1,422**	**-2,010**	**-2,117**	***2,489***	***-1,336***
Common Stock Issuance (or Repurchase)	374	36	20	*30*	*35*
Common Stock (Dividends)	-273	-306	-321	*-267*	*-206*
Short-Term Debt Issuance (or Retirement)	-582	-78	878	*-844*	—
Long-Term Debt Issuance (or Retirement)	656	794	219	*-2,456*	*500*
Other Financing Cash Flows	—	—	—	*-35*	*-36*
Cash From Financing	**175**	**445**	**796**	***-3,572***	***293***
Exchange Rates, Discontinued Ops, etc. (net)	8	129	-1	*-5*	*-5*
Net Change in Cash	**25**	**-10**	**-1**	***87***	***-28***

NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated



The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic value.

Five-star stocks sell for the biggest risk-adjusted discount whereas one-star stocks trade at premiums to their intrinsic value. Based on a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's Equity Analysts, four key components drive the Morningstar Rating: 1. Assessment of the firm's economic moat, 2. Estimate of the stock's fair value, 3. Uncertainty around that fair value estimate and 4. Current market price. Further information on Morningstar's methodology is available from http://global.morningstar.com/equitydisclosures.

This Research Report is current as of the date on the report until it is replaced, updated or withdrawn. This report may be withdrawn or changed at any time as other information becomes available to us. This report will be updated if events affecting the report materially change.

Conflicts of Interest:

-No material interests are held by Morningstar or the Equity Analyst in the financial products that are the subject of the research reports or the product.

-Equity Analysts are required to comply with the CFA Institute's Code of Ethics and Standards of Professional Conduct.

-Equity Analysts' compensation is derived from Morningstar's overall earning and consists of salary, bonus and in some cases restricted stock.

-Equity Analysts do not influence Morningstar's investment management group's business arrangements nor allow employees from the investment management group to participate or influence the analysis or opinion prepared by them. Morningstar will not receive any direct benefit from the publication of this report. Morningstar does not receive commissions for providing research and does not charge companies to be rated.

-Equity Analysts use publicly available information.

NiSource Inc NI (NYSE) | ★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
45.45 USD	16.00 USD	12.80 USD	20.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

-Morningstar may provide the product issuer or its related entities with services or products for a fee and on an arms length basis including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship and website advertising.

-Further information on Morningstar's conflict of interest policies is available from http://global.morningstar.com/equitydisclosures.

If you wish to obtain further information regarding previous research reports and recommendations and our services, please contact your local Morningstar office.

Unless otherwise provided in a separate agreement, you may use this report only in the country in which its distributor is based.

Unless stated otherwise, the original distributor of this document is Morningstar Inc. The information contained herein is not represented or warranted to be accurate, correct, complete, or timely. This report is for information purposes only, and should not be considered a solicitation to buy or sell any security. Redistribution is prohibited without permission.

For Recipients in Hong Kong: The research is prepared and issued by Morningstar Investment Management Asia Limited, which is regulated by the Hong Kong Securities and Futures Commission to provide investment research, non-discretionary investment consulting services, and discretionary investment management services to professional investors only. Neither Morningstar Investment Management Asia Limited, nor its representatives, are acting or will be deemed to be acting as an investment manager or advisor to any recipients of this information unless expressly agreed to by Morningstar Investment Management Asia Limited. For enquiries regarding this information, please contact a Morningstar Investment Management Asia Limited Licensed Representative at http://global.morningstar.com/equitydisclosures.

For Recipients in India: Research on securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 ("Investment Research") is prepared by Morningstar Investment Adviser India Private Limited, which is registered with the Securities and Exchange Board of India. Investment Research is intended for educational purposes only; it is not intended to be an offer, solicitation, or call-to-action for the purchase or sale of a security. You should seek the advice of a financial professional before making an investment decision to ensure, among other things, that the security is suitable based on your particular needs and circumstances.

KeyBanc
Capital Markets

May 28, 2015

ENERGY: Multi-Utilities

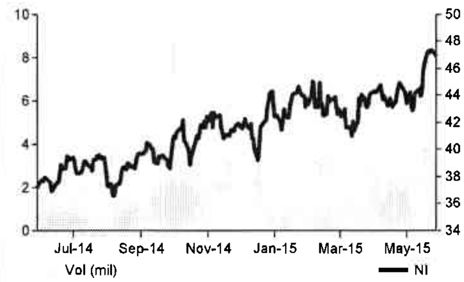
Company Update / Price Target Change

NiSource Inc.

NI: Adjusting Price Target to Reflect Midstream Peers Multiple Expansion

Paul T. Ridzon / (216) 689-0270
pridzon@key.com
John Barta / (216) 689-3386
john_j_barta@key.com

NYSE: NI	
Rating:	**Overweight**
Price Target: $50.50(▲from $46.00)	
Price:	**$46.85**



Sources: Company reports, FactSet, KeyBanc Capital Markets Inc.

NiSource Inc. (NI) recently hosted separate analyst calls for both NiSource Classic (NI) and Columbia Pipeline Group (CPG) to highlight the growth strategies of both entities post the July 1, 2015 separation. Both teams provided a thorough overview of what to expect from each entity, clearing some uncertainty over the past few months. We are raising our price target on NI to $50.50 from $46. We initiate our 2016 estimate for standalone NI at $1.05.

Key Investment Points

Raising Price Target - We have updated our price target to $50 from $46, driven largely by multiple expansion in the midstream sector.

NI Guidance in Line - Management has provided 2016 guidance of $1.00 to $1.10 for NiSource Classic, the regulated electric and natural gas utilities. We forecast the standalone business to earn $1.05 in 2016.

Strong Growth at CPG - CPG management highlighted its expectation of an EBITDA CAGR of 20% through 2020. This growth is expected to drive 15% dividend growth over the same period.

Company Data

52-week range	$36 - $48
Market Cap. (M)	$13,858.2
Shares Out. (M)	295.80
Avg. Daily Volume (30D)	2,327,710.0
Annual Dividend	$1.04
Dividend Yield	2.2%
SI as % of Float	2.3%
SI % Chg. from Last Per.	16.8%
Book Value/Share	$17.93

Sources: Company reports, FactSet, KeyBanc Capital Markets Inc.

Estimates

FY ends 12/31	F2014A	1Q15A	2Q15E	3Q15E	4Q15E	F2015E	F2016E
EPS (Net)	$1.72	$0.85	$0.27	--	--	$1.80	$1.98
Cons. EPS	--	$0.85	$0.26	$0.16	$0.53	$1.81	$1.89
Previous	--	$0.84	--	--	--	--	--
Valuation							
P/E	27.2x	--	--	--	--	26.0x	23.7x

Sources: Company reports, FactSet, KeyBanc Capital Markets Inc.

For analyst certification and important disclosures, please refer to the Disclosure Appendix.

Valuation

Our $50.50 price target is based upon a sum-of-the-parts valuation, with a P/E methodology at the regulated utilities and EV/EBITDA valuation of the midstream segment. We value the electric operations at 16.2x our 2016 estimate of $0.37 per share. The gas distribution companies are valued at 18.0x our 2016 estimate of $0.68 per share. We value NI classic at $18.00-$18.50. Based upon 2016 EBITDA of $816 million (growing 2015 company estimate by 20%) and a target EV/EBITDA multiple of 16.1x, we value the midstream segment at $32 per share. Our $50.50 price target represents P/E multiple of 25.5x our 2016 estimate of $1.98 per share.

Investment Risks

We believe the primary risks to achieving our price target include: any deterioration of regulation and any inability to execute on the growth initiatives that management is targeting.

Derivatives

NiSource Inc. (NI) recently hosted separate analyst calls for both NiSource Classic (NI) and Columbia Pipeline Group (CPG) to highlight the growth strategies of both entities post the July 1, 2015 corporate separation. Both teams provided a thorough overview of what to expect from each entity post separation as there has been some uncertainty over the past few months. We are raising our price target on **NI** to $50.50 from $46 as we have more confidence in the teams executing their LT plans at CPG and **NI** after the separation. Lastly, we are initiating our 2016 EPS estimate for the standalone NI after the separation at $1.05.

Below we have listed an overview of our NI SOTP valuation:

NiSource Current Sum of the Parts Valuation

Columbia Pipeline Group	$32.41	Gas Operation	$12.25	Electric Operation	$5.94
NI Value	**$50.60**				

Source: Company Reports and KeyBanc Capital Markets

NiSource Classic

Over the last several years, the NI story has garnered much attention among investors, but predominately due to the opportunity at CPG. With the separation nearing, we have decided to provide an overview of NI Classic and how we intend on valuing it post separation.

As NI Classic stands today, Electric Operations represents 35% of operating earnings ($3B of rate base), while the Gas Distribution business represents the remaining 65% of operating earnings ($5B of rate base). Both entities benefit from many of the same attributes as they both have constructive regulatory environments, favorable modernization investment programs and significant long-term spending opportunities. When looking across our coverage, we view both the Electric and Gas Operations of NI Classic to have some of the most favorable attributes among its peers as large spend opportunities and favorable recovery mechanisms make it very attractive. Given we view NI Classic as having one of the most attractive stories, we believe it should trade at a premium to its peers. Going forward we intend on valuing NI Classic on a SOTP basis as shown below:

NiSource Classic Sum of the Parts Valuation

NI Classic 2016 EPS Estimate $1.05

Electric Operation	$0.37	Gas Operation	$0.68	$1.05
Small Cap Regulated Peers	15.4x	Gas Distribution Peers	17.1x	
Premium	5%	Premium	5%	
Target Multiple	16.2x	Target Multiple	18.0x	17.3x
Value	$5.94	Value	$12.25	$18.20

Source: Company Reports and KeyBanc Capital Markets

Paul T. Ridzon (216) 689-0270 / pridzon@key.com

Columbia Pipeline Group

Upon separation, including its unique structure with CPPL, CPG will display premium characteristics given its 20% average annual EBITDA CAGR through 2020, 15% average annual dividend CAGR through 2020 and its sound management team. With CPG serving primarily the Marcellus and Utica shale regions, as well as extending out into the Northeast and the Gulf of Mexico, we believe it has a current pipeline that, if anything, will prove conservative as management continues to execute on new projects. One of the most advantageous characteristics of the entity remains with its stable and predictable cash flow stream given its revenues are 95% fee based. Below we provide our assumptions in valuing CPG based on commentary from the CPG analyst call, while staying within leverage ratios.

Columbia Pipeline Group Valuation

2015 EBITDA	$680	Enterprise Value	$13,105
Growth	20%	Minus: Debt	$3,300
2016 EBITDA	$816	Plus: Cash	$500
		Market Capitalization	$10,305
CPG Peers EV/EBITDA	14.6x		
Premium for CPG	10.0%	NiSource Shares	318
Target EV/EBITDA	16.1x	Value	$32.41

Source: Company Reports and KeyBanc Capital Markets

Paul T. Ridzon (216) 689-0270 / pridzon@key.com

Disclosure Appendix

NiSource Inc. - NI

We have managed or co-managed a public offering of securities for NiSource Inc. within the past 12 months.

NiSource Inc. is an investment banking client of ours.

We have received compensation for investment banking services from NiSource Inc. during the past 12 months.

We expect to receive or intend to seek compensation for investment banking services from NiSource Inc. within the next three months.

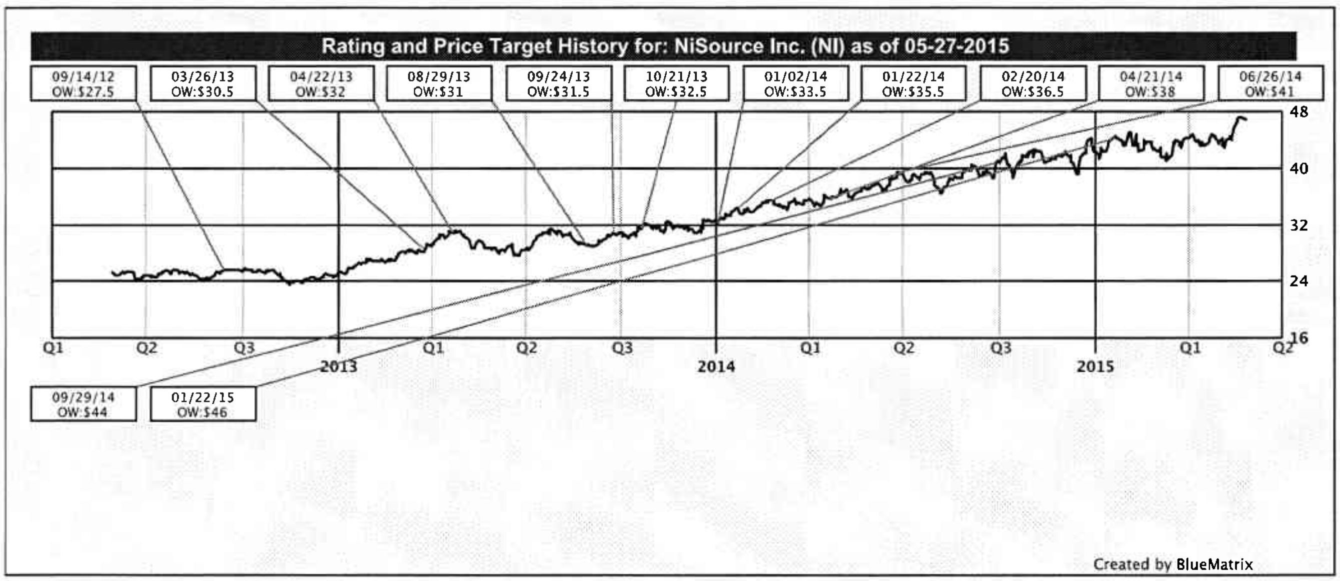
During the past 12 months, NiSource Inc. has been a client of the firm or its affiliates for non-securities related services.

As of the date of this report, we make a market in NiSource Inc..

Reg A/C Certification

The research analyst(s) responsible for the preparation of this research report certifies that: (1) all the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this research report.

Three-Year Rating and Price Target History



Rating Disclosures

Distribution of Ratings/IB Services
KeyBanc Capital Markets

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
Overweight [OW]	356	46.48	78	21.91
Sector Weight [SW]	390	50.91	65	16.67
Underweight [UW]	20	2.61	1	5.00

Disclosure Appendix (cont'd)

Rating System

Overweight - We expect the stock to outperform the analyst's coverage sector over the coming 6-12 months.

Sector Weight - We expect the stock to perform in line with the analyst's coverage sector over the coming 6-12 months.

Underweight - We expect the stock to underperform the analyst's coverage sector over the coming 6-12 months.

Note: KeyBanc Capital Markets changed its rating system after market close on February 27, 2015. The previous ratings were Buy, Hold and Underweight. Additionally, Pacific Crest Securities changed its rating system to match KeyBanc Capital Markets' rating system after market close on April 10, 2015, in conjunction with the merger of the broker dealers. The previous ratings were Outperform, Sector Perform and Underperform.

Other Disclosures

KeyBanc Capital Markets is a trade name under which corporate and investment banking products and services of KeyCorp and its subsidiaries, KeyBanc Capital Markets Inc., Member NYSE/FINRA/SIPC ("KBCMI"), and KeyBank National Association ("KeyBank N.A."), are marketed. Pacific Crest Securities is a division of KeyBanc Capital Markets Inc.

KeyBanc Capital Markets Inc. ("KBCMI") does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

This report has been prepared by KBCMI. The material contained herein is based on data from sources considered to be reliable; however, KBCMI does not guarantee or warrant the accuracy or completeness of the information. It is published for informational purposes only and should not be used as the primary basis of investment decisions. Neither the information nor any opinion expressed constitutes an offer, or the solicitation of an offer, to buy or sell any security. The opinions and estimates expressed reflect the current judgment of KBCMI and are subject to change without notice. This report may contain forward-looking statements, which involve risk and uncertainty. Actual results may differ significantly from the forward-looking statements. This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the specific needs of any person or entity.

No portion of an analyst's compensation is based on a specific banking transaction; however, part of his/her compensation may be based upon overall firm revenue and profitability, of which investment banking is a component. Individuals associated with KBCMI (other than the research analyst(s) listed on page 1 of this research report) may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by NASD Rule 2711(h)(1)(A), financial interest, if any, by any research analysts listed on page 1 of this report will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosure Appendix. KBCMI itself may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by NASD Rule 2711(h)(1)(B), if KBCMI beneficially owns 1% or more of any class of common equity securities of the subject company(ies) in this research report as of the end of the month immediately preceding the date of publication of this research report will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosures Appendix. This communication is intended solely for use by KBCMI clients. The recipient agrees not to forward or copy the information to any other person without the express written consent of KBCMI.

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
47.21 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Management Meeting: Transmission Offers Upside to NiSource's Large Distribution Growth Plan

Charles Fishman, CFA
Equity Analyst
charles.fishman@morningstar.com
312-696-6523

The primary analyst covering this company does not own its stock.

Research as of 20 May 2015
Estimates as of 20 Feb 2015
Pricing data through 20 May 2015
Rating updated as of 20 May 2015

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Analyst Note 20 May 2015

We are reaffirming our narrow moat, stable moat trend, and $44 per share fair value estimate after meeting with NiSource's senior management at the American Gas Association Financial Forum in Palm Desert, California.

Management detailed some of the key components of its $30 billion investment plan over the next 20 years and 4%-6% annual earnings growth forecast, excluding Columbia Pipeline Group. We expect CPG to begin trading independently on July 2.

Electric transmission investment opportunities offer some upside. There could be $600 million-$700 million of transmission projects for the company if the Mid-Continent Independent System Operator and PJM ISO can resolve so-called transmission seams between the two grids. NiSource will participate in a technical conference at FERC on June 15 to improve grid coordination. We don't expect any imminent changes, but we expect NiSource will be a leading candidate for any seams-related projects.

Regulatory support is the key to achieving management's earnings growth target, which is in line with our forecast. NiSource faces a likely cut in its allowed transmission return, but we don't expect it to have a material impact on our earnings growth outlook given its relatively small transmission business. In Indiana, management expects a constructive outcome for Senate Bill 560, which includes many progressive regulatory measures. Management said it has resolved most of the issues the state court of appeals ruled the utilities commission should have addressed, and it expects to make a filing next month.

Management doesn't expect any unusual tax items related to the CPG separation to affect its $1.00-$1.10 EPS guidance for 2016. The guidance is based on a normalized tax rate,

Vital Statistics

Market Cap (USD Mil)	14,983
52-Week High (USD)	47.79
52-Week Low (USD)	36.00
52-Week Total Return %	31.5
YTD Total Return %	12.5
Last Fiscal Year End	31 Dec 2013
5-Yr Forward Revenue CAGR %	7.1
5-Yr Forward EPS CAGR %	8.0
Price/Fair Value	1.07

Valuation Summary and Forecasts

Fiscal Year:	2012	2013	*2014(E)*	*2015(E)*
Price/Earnings	17.0	20.8	—	*25.8*
EV/EBITDA	11.9	13.7	—	*11.4*
EV/EBIT	18.4	20.8	—	*16.8*
Free Cash Flow Yield %	-2.3	-3.4	—	*-3.7*
Dividend Yield %	2.7	2.3	—	*2.3*

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2012	2013	*2014(E)*	*2015(E)*
Revenue	5,061	5,657	*6,169*	*6,573*
Revenue YoY %	-15.9	11.8	*9.0*	*6.6*
EBIT	1,039	1,126	*1,294*	*1,413*
EBIT YoY %	12.7	8.4	*14.9*	*9.2*
Net Income, Adjusted	437	494	*542*	*589*
Net Income YoY %	12.4	13.0	*9.7*	*8.6*
Diluted EPS	1.46	1.58	*1.70*	*1.83*
Diluted EPS YoY %	7.9	8.3	*7.8*	*7.9*
Free Cash Flow	71	-379	*-148*	*-417*
Free Cash Flow YoY %	339.3	-637.2	*-61.0*	*182.0*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with 3.4 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. NiSource also owns nearly half of Columbia Pipeline Partners, a master limited partnership that owns gas transmission, underground natural gas storage systems, and provides unregulated midstream services in the growing Marcellus and Utica shale production area. NiSource's electric utility generates, transmits, and distributes electricity in northern Indiana.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
47.21 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

which historically has been near 38%.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
47.21 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2011	2012	2013	*2014* (Forecast)	*2015* (Forecast)	*5-Year Proj. CAGR*
Revenue	*-4.1*	-6.3	-15.9	11.8	*9.0*	*6.6*	*7.1*
EBIT	*6.8*	-0.2	12.7	8.4	*14.9*	*9.2*	*10.4*
EBITDA	*3.9*	-4.0	9.6	6.4	*11.4*	*9.2*	*9.4*
Net Income	*13.2*	14.1	12.4	13.0	*9.7*	*8.6*	*9.4*
Diluted EPS	*9.0*	10.8	7.9	8.3	*7.8*	*7.9*	*8.0*
Earnings Before Interest, after Tax	*4.4*	10.4	4.1	-1.0	*18.4*	*5.4*	*8.7*
Free Cash Flow	*-237.7*	-88.9	339.3	-637.2	*-61.0*	*182.0*	—

Profitability	3-Year Hist. Avg	2011	2012	2013	*2014*	*2015*	*5-Year Proj. Avg*
Operating Margin %	*18.6*	15.3	20.5	19.9	*21.0*	*21.5*	*22.1*
EBITDA Margin %	*28.7*	24.3	31.6	30.1	*30.8*	*31.5*	*32.2*
Net Margin %	*7.9*	6.5	8.6	8.7	*8.8*	*9.0*	*9.2*
Free Cash Flow Margin %	*-1.7*	0.3	1.4	-6.7	*-2.4*	*-6.4*	*-3.4*
ROIC %	—	—	—	—	—	—	—
Adjusted ROIC %	*7.4*	6.9	7.9	7.5	*7.9*	*7.6*	*7.4*
Return on Assets %	*1.9*	1.5	2.0	2.4	*2.3*	*2.3*	*2.4*
Return on Equity %	*7.7*	6.0	7.9	9.3	*9.0*	*9.4*	*9.8*

Leverage	3-Year Hist. Avg	2011	2012	2013	*2014*	*2015*	*5-Year Proj. Avg*
Debt/Capital	*0.60*	0.61	0.59	0.60	*0.61*	*0.63*	*0.63*
Total Debt/EBITDA	*5.23*	5.45	5.06	5.19	*5.14*	*5.19*	*5.16*
EBITDA/Interest Expense	*3.94*	3.88	3.83	4.11	*4.08*	*4.04*	*4.04*

Valuation Summary and Forecasts

	2012	2013	*2014(E)*	*2015(E)*
Price/Fair Value	1.00	1.22	—	—
Price/Earnings	17.0	20.8	—	*25.8*
EV/EBITDA	11.9	13.7	—	*11.4*
EV/EBIT	18.4	20.8	—	*16.8*
Free Cash Flow Yield %	-2.3	-3.4	—	*-3.7*
Dividend Yield %	2.7	2.3	—	*2.3*

Key Valuation Drivers

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	5.8
Long-Run Tax Rate %	35.0
Stage II EBI Growth Rate %	6.0
Stage II Investment Rate %	85.7
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	-995	-4.5	-3.12
Present Value Stage II	1,664	7.6	5.21
Present Value Stage III	21,368	97.0	66.87
Total Firm Value	**22,036**	**100.0**	**68.97**
Cash and Equivalents	70	—	0.22
Debt	-8,834	—	-27.65
Preferred Stock	—	—	—
Other Adjustments	35	—	0.11
Equity Value	**13,307**	—	**41.65**
Projected Diluted Shares	320		
Fair Value per Share (USD)	—		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
47.21 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in December

	2011	2012	2013	*Forecast* 2014	*Forecast* 2015
Revenue	**6,019**	**5,061**	**5,657**	***6,169***	***6,573***
Cost of Goods Sold	2,556	1,542	1,816	*2,044*	*2,129*
Gross Profit	**3,463**	**3,520**	**3,842**	***4,125***	***4,445***
Selling, General & Administrative Expenses	1,723	1,663	1,874	*1,976*	*2,115*
Other Operating Expense (Income)	295	288	301	*297*	*307*
Other Operating Expense (Income)	-15	-32	-36	*-45*	*-49*
Depreciation & Amortization (if reported separately)	538	562	577	*603*	*658*
Operating Income (ex charges)	**922**	**1,039**	**1,126**	***1,294***	***1,413***
Restructuring & Other Cash Charges	17	-4	-18	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**905**	**1,043**	**1,143**	***1,294***	***1,413***
Interest Expense	377	418	415	*465*	*513*
Interest Income	-61	2	24	*5*	*5*
Pre-Tax Income	**467**	**626**	**753**	***834***	***906***
Income Tax Expense	163	216	262	*292*	*317*
Other After-Tax Cash Gains (Losses)	-5	6	6	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	35	—	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**299**	**416**	**532**	***542***	***589***
Weighted Average Diluted Shares Outstanding	289	300	314	*319*	*321*
Diluted Earnings Per Share	**1.03**	**1.39**	**1.70**	***1.70***	***1.83***
Adjusted Net Income	389	437	494	*542*	*589*
Diluted Earnings Per Share (Adjusted)	**1.35**	**1.46**	**1.58**	***1.70***	***1.83***
Dividends Per Common Share	0.92	0.94	0.98	*1.02*	*1.06*
EBITDA	**1,443**	**1,605**	**1,721**	***1,897***	***2,071***
Adjusted EBITDA	**1,460**	**1,601**	**1,703**	***1,897***	***2,071***

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
47.21 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2011	2012	2013	Forecast 2014	Forecast 2015
Cash and Equivalents	172	83	35	*209*	*151*
Investments	—	—	—	—	—
Accounts Receivable	855	907	1,006	*1,099*	*1,171*
Inventory	566	496	500	*560*	*583*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	655	866	618	*750*	*750*
Current Assets	**2,248**	**2,352**	**2,159**	***2,617***	***2,655***
Net Property Plant, and Equipment	11,800	12,916	14,365	*15,843*	*17,310*
Goodwill	3,677	3,677	3,666	*3,666*	*3,666*
Other Intangibles	298	287	276	*276*	*276*
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,685	2,613	2,188	*2,561*	*2,689*
Long-Term Non-Operating Assets	—	—	—	—	—
Total Assets	**20,708**	**21,845**	**22,654**	***24,963***	***26,595***
Accounts Payable	435	539	619	*697*	*726*
Short-Term Debt	1,687	1,284	1,241	*1,250*	*1,250*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,525	1,479	1,319	*1,500*	*1,500*
Current Liabilities	**3,646**	**3,302**	**3,178**	***3,447***	***3,476***
Long-Term Debt	6,267	6,819	7,593	*8,500*	*9,500*
Deferred Tax Liabilities (Long-Term)	2,542	2,953	3,278	*3,632*	*3,972*
Other Long-Term Operating Liabilities	3,256	3,216	2,718	*3,252*	*3,236*
Long-Term Non-Operating Liabilities	—	—	—	—	—
Total Liabilities	**15,711**	**16,290**	**16,767**	***18,830***	***20,184***
Preferred Stock	—	—	—	—	—
Common Stock	3	3	3	*3*	*3*
Additional Paid-in Capital	4,168	4,598	4,690	*4,725*	*4,760*
Retained Earnings (Deficit)	917	1,060	1,286	*1,502*	*1,750*
(Treasury Stock)	-31	-41	-49	*-49*	*-49*
Other Equity	-60	-66	-44	*-49*	*-54*
Shareholder's Equity	**4,997**	**5,554**	**5,887**	***6,133***	***6,411***
Minority Interest	—	—	—	—	—
Total Equity	**4,997**	**5,554**	**5,887**	***6,133***	***6,411***

NiSource Inc NI NYSE ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
47.21 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

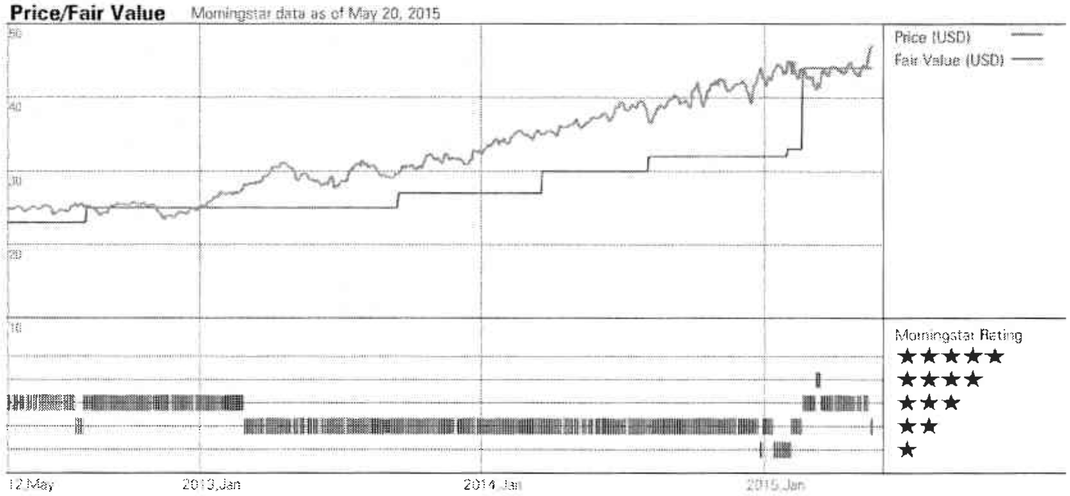
Cash Flow (USD Mil)

Fiscal Year Ends in December	2011	2012	2013	*Forecast 2014*	*Forecast 2015*
Net Income	299	416	532	*542*	*589*
Depreciation	538	562	577	*603*	*658*
Amortization	—	—	—	—	—
Stock-Based Compensation	39	45	51	*49*	*53*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	178	305	287	*354*	*340*
Other Non-Cash Adjustments	217	25	-65	—	—
(Increase) Decrease in Accounts Receivable	220	-51	-95	*-93*	*-72*
(Increase) Decrease in Inventory	-142	62	-9	*-60*	*-23*
Change in Other Short-Term Assets	-274	-157	81	*-132*	—
Increase (Decrease) in Accounts Payable	-155	57	68	*78*	*29*
Change in Other Short-Term Liabilities	—	—	—	*181*	—
Cash From Operations	**920**	**1,264**	**1,427**	***1,523***	***1,574***
(Capital Expenditures)	-1,125	-1,499	-1,880	*-2,081*	*-2,125*
Net (Acquisitions), Asset Sales, and Disposals	9	26	18	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-34	51	-148	*160*	*-143*
Cash From Investing	**-1,149**	**-1,422**	**-2,010**	***-1,921***	***-2,268***
Common Stock Issuance (or Repurchase)	21	374	36	*35*	*35*
Common Stock (Dividends)	-258	-273	-306	*-326*	*-341*
Short-Term Debt Issuance (or Retirement)	-23	-582	-78	*9*	—
Long-Term Debt Issuance (or Retirement)	541	656	794	*907*	*1,000*
Other Financing Cash Flows	—	—	—	*-49*	*-53*
Cash From Financing	**281**	**175**	**445**	***576***	***641***
Exchange Rates, Discontinued Ops, etc. (net)	-50	8	129	*-5*	*-5*
Net Change in Cash	**2**	**25**	**-10**	***174***	***-58***

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
47.21 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Price/Fair Value Morningstar data as of May 20, 2015



The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic value.

Five-star stocks sell for the biggest risk-adjusted discount whereas one-star stocks trade at premiums to their intrinsic value. Based on a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's Equity Analysts, four key components drive the Morningstar Rating: 1. Assessment of the firm's economic moat, 2. Estimate of the stock's fair value, 3. Uncertainty around that fair value estimate and 4. Current market price. Further information on Morningstar's methodology is available from http://global.morningstar.com/equitydisclosures.

This Research Report is current as of the date on the report until it is replaced, updated or withdrawn. This report may be withdrawn or changed at any time as other information becomes available to us. This report will be updated if events affecting the report materially change.

Conflicts of Interest:

-No material interests are held by Morningstar or the Equity Analyst in the financial products that are the subject of the research reports or the product.

-Equity Analysts are required to comply with the CFA Institute's Code of Ethics and Standards of Professional Conduct.

-Equity Analysts' compensation is derived from Morningstar's overall earning and consists of salary, bonus and in some cases restricted stock.

-Equity Analysts do not influence Morningstar's investment management group's business arrangements nor allow employees from the investment management group to participate or influence the analysis or opinion prepared by them. Morningstar will not receive any direct benefit from the publication of this report. Morningstar does not receive commissions for providing research and does not charge companies to be rated.

-Equity Analysts use publicly available information.

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
47.21 USD	44.00 USD	35.20 USD	55.00 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

-Morningstar may provide the product issuer or its related entities with services or products for a fee and on an arms length basis including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship and website advertising.

-Further information on Morningstar's conflict of interest policies is available from http://global.morningstar.com/equitydisclosures.

If you wish to obtain further information regarding previous research reports and recommendations and our services, please contact your local Morningstar office.

Unless otherwise provided in a separate agreement, you may use this report only in the country in which its distributor is based.

Unless stated otherwise, the original distributor of this document is Morningstar Inc. The information contained herein is not represented or warranted to be accurate, correct, complete, or timely. This report is for information purposes only, and should not be considered a solicitation to buy or sell any security. Redistribution is prohibited without permission.

For Recipients in Hong Kong: The research is prepared and issued by Morningstar Investment Management Asia Limited, which is regulated by the Hong Kong Securities and Futures Commission to provide investment research, non-discretionary investment consulting services, and discretionary investment management services to professional investors only. Neither Morningstar Investment Management Asia Limited, nor its representatives, are acting or will be deemed to be acting as an investment manager or advisor to any recipients of this information unless expressly agreed to by Morningstar Investment Management Asia Limited. For enquiries regarding this information, please contact a Morningstar Investment Management Asia Limited Licensed Representative at http://global.morningstar.com/equitydisclosures.

For Recipients in India: Research on securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 ("Investment Research") is prepared by Morningstar Investment Adviser India Private Limited, which is registered with the Securities and Exchange Board of India. Investment Research is intended for educational purposes only; it is not intended to be an offer, solicitation, or call-to-action for the purchase or sale of a security. You should seek the advice of a financial professional before making an investment decision to ensure, among other things, that the security is suitable based on your particular needs and circumstances.

WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Underweight
Integrateds – Market Weight
IPPs – Market Overweight

May 20, 2015

UTILITIES & POWER

No leaks in the gas growth story; NI and SRE top ideas

AGA conference takeaways
We attended the American Gas Association (AGA) conference in Palm Springs this week. Despite the drought, the golf courses are still green and so is the growth story for natural gas infrastructure (feel free to hit me with a cast iron pipe for that one). Natural gas demand continues to grow and the infrastructure needs are huge. That said, most companies seem to be in execution mode right now as opposed to announcing a bunch of new projects.

Gas infrastructure growth - firming up the backlog
Last year, every single pipeline company announced one or more large new growth projects. This year, the growth backlog is moving into execution mode as companies finalize shipper commitments and file for regulatory approvals. While we would love to see more growth projects arise, we think most gas infrastructure stocks can work by executing on their existing backlog. So far so good on this front. However, we are watchful of siting and regulatory approvals as there could be delay risks with all of these projects coming to FERC at once.

NI and SRE catalyst-rich growth plays; CMS, DTE, LNT nice utility stories
We came away even more bullish on both NI and SRE with clear catalysts coming later this year including major corporate restructurings. CMS, DTE and LNT remain above average earnings and dividend growth stories with little to no exposure to key regulated risks such as ROE resets and mega project risks.

NI - the Ferrari is breaking away from the Fiat
NI will spin out its pure play pipeline company Columbia Pipeline by July 1 and we think that business has the highest and most visible growth potential of any company in the space: 20% EBITDA growth through 2020 from locked-up projects. We think this high growth and the strategic location of the pipeline network (Marcellus/Utica going east and south) make Columbia very attractive to investors and strategic buyers. We remain buyers into the spin.

SRE - a story that's skewed toward upside surprises
On SRE, we came away more bullish on several fronts: 1) a more constructive tone on LNG export expansion contracts coming this year; 2) the CA rate case recommendations were reasonable and the base case outcome in SRE's plan looks conservative; 3) the MLP offering will likely come later this year and highlight SRE's cash flow acceleration and 4) dividend policy could be reviewed again after the MLP. SRE's 11% growth target remains top tier and likely conservative.

Please see the full report for brief company updates

Exhibit 1: Participating Companies

Ticker	Name
LNT	Alliant Energy
AEE	Ameren Corp.
ATO	Atmos Energy
CNP	CenterPoint Energy
CMS	CMS Energy
ED	Consolidated Edison
DTE	DTE Energy
ES	Eversource Energy
NI	NiSource
PCG	PG&E Corp.
PEG	PSEG
SRE	Sempra Energy
SE	Spectra Energy
TE	TECO Energy
UIL	UIL Holdings
WEC	Wisconsin Energy
XEL	Xcel Energy

Source: Wolfe Research Utilities & Power Research

Steven Fleishman
(646) 582-9241
SFleishman@WolfeResearch.com

Alex Kania
(646) 582-9244
AKania@WolfeResearch.com

David Paz
(646) 582-9242
DPaz@WolfeResearch.com

Keith Stanley, CFA
(646) 582-9243
KStanley@WolfeResearch.com

Michael P. Sullivan
(646) 582-9245
MSullivan@WolfeResearch.com

Company Summaries

Alliant Energy (LNT): Growth trajectory still looking good, already looking to 2017

- Already working on strategy for 2017 rate case in Iowa. Even though the Iowa rate case will not be filed for another two years management is already working on mitigating the rate impact of rolling Marshalltown into rates.
- Rate base growth potential continues to look good. Even with some environmental spending wrapping up, LNT still has meaningful growth potential. It is adding Riverside in WI and significant amounts of renewables in preparation of 111(d). This could include rate basing Franklin County wind.
- Marshalltown coming well under budget on transmission costs. The combined cycle unit is on track and under budget. The cost is projected to be well under the $900M cost cap as a new MISO approach has cut the amount of transmission spend. This does not impact LNT's earnings upside as the transmission is an ITC project, but the lower cost does give rate headroom going into the 2017 rate case.

Ameren Corp. (AEE): Still waiting for a Missouri to improve

- AEE was asked several questions on the Missouri rate order that had a 9.53% ROE and a change to the fuel adjustment clause that excluded transmission recovery. While AEE is not happy with pieces of it, they will live within the confines of the agreement and work to earn at or close to the allowed return. AEE continues to manage the best of a bad regulatory environment.
- On IL nuke legislation, AEE does not see it passing this session. There will be a special session for the budget this Spring, but the bill would need a 60% majority then. Same with the veto session in the Fall.
- On MISO capacity, AEE is supportive of better functioning capacity markets. However, they are still challenging the recent auction results given resulting price hikes of over 10% to their customers.

Atmos Energy (ATO): high growth, low risk

- Long runway of investments, largely on main replacements. Atmos sees 6-8% growth at least through 2018 based on a long runway of capes
- Constructive regulatory environments - 45% of overall capex is recovered realtime. The GRIP mechanism in Texas is a key mechanism. New rate construct in TN also helps ensure real time recovery and few rate cases.
- Texas intrastate pipeline rate case coming in 2017 - could be an opportunity. Currently allowed an 11.8% ROE on a 50.5% equity ratio. Rate of return in next case will be set on consolidated capital structure, which is currently in the 57% range.
- Limited appetite for M&A. Management content with its base investment plan and is not actively looking to add any properties.

CenterPoint Energy (CNP): Patience on Enable, focus on regulatory lag

- New management team fully in place. With the hiring of Bill Rogers as CFO, CNP's management team is in place, focus of the company is now fully on operations.
- Willing to be patient with ENBL. CNP fundamentally believes that Enable is well-positioned as the energy sector resets its cost structure in a $70 oil world, but it acknowledged that a line of sight on growth is still in flux. CNP wants to optimize distributions and cash flow; premature to consider divestiture scenarios. Tax leakage would be a problem if divested.
- Looking to minimize regulatory lag. While there are trackers in place in TX, there is some inherent lag in the distribution system investment mechanism. CNP is looking to remedy this.
- REITs are an intriguing but unlikely strategy. The IRS has clearly stated that utility T&D assets are REIT-able but management thinks it's far from clear what ratemaking policy Texas will adopt. Despite the HIFR precedent CNP believes it likely that a utility REIT may need to share much of the tax advantages with customers.

- A new more stable dividend policy is likely to come later this year that will emphasize the company's flexibility to provide consistent growth even amidst ENBL volatility.

CMS Energy (CMS): A decade of 5-7% growth still in the cards

- 5%-7% growth path as good as ever. Management believes the investment opportunities continue to be strong. Current growth rate remains a sweet spot for a ten year duration with little rate pressure.
- State energy policy progressing well. CMS expects legislation to be filed by state senator Mike Nofs that could largely track the governor's energy policy. The governor has advocated the preservation of the 10% cap on shopping but with added requirements for retailers to secure long-term capacity. Tighter requirements could push up the cost of shopping and move load back to the utility.
- No hitches on the electric rate case. Like with the recent gas case management would like to reach a settlement on the electric rate case and believes parties are amenable.
- Cost reductions going well, still a lot of opportunities. Base O&M was down 8% last year and CMS used much of this headroom to reinvest in the trimming and reliability. Expect cost savings opportunities to continue.

Columbia Pipeline (CPGX): awash in cash in 2019/2020

- 2019-2020 cash flow gives a lot of options. Management sees high (2x+) coverage persisting at CPGX through the forecast period even with 15% dividend growth. This gives CPGX a lot of options - continue to put cash into growth projects, ramp up the dividend, or even buy back stock.
- OpCo/CPPL structure should optimize dropdown proceeds. Dropdowns to CPPL from the CPG OpCo are equity interests. Rather than discrete assets with constant cash flows, the cash flows from the equity interests will grow as the OpCo puts new projects into service. This should raise the valuation of the dropdown relative to other MLPs, providing more cash sooner to fund the expansion.
- Executing on growth projects key. CPG has a lot of projects that go into service by late 2018 - management's primary focus is finishing them on time and budget.

Consolidated Edison (ED): Going green

- ED has ramped up their renewable investment plan for 2015 with several acquisitions pending. ED likes the steady nature of these contracts relative to their more volatile retail supply business which they are in the process of selling. ED's tax appetite is also an advantage with renewables.
- ED got a 2016 rate extension in the electric business, but all three businesses - electric, gas and steam - will file new rate cases in 2016. The REV process could lead to tweaks in regulation but the core framework is likely to remain status quo.
- The final NTSB report may come in June. ED does not really know what may happen in response.

DTE Energy (DTE): DTE buying a plant from.....DTE

- DTE announced they are buying the 350MW East China gas plant from their subsidiary P&I and it will go into ratebase. The plant won an RFP for new resources. No terms disclosed.
- Energy legislation is moving forward. The Senate is likely to propose legislation to keep the 10% shopping cap but to limit the ability for customers to shift to once every 3-5 years and to order retail suppliers to have locked-up capacity supporting their contracts. The House bill eliminates shopping. Either way, shopping is likely to shrink dramatically and DTE will likely need to add generation to serve returning customers.
- Nexus is fully on track. FERC filing is expected this Fall. Enbridge is still likely come in as a partner.

Eversource Energy (ES): Ever waiting for NPT

- ES story remains very solid though the continued delays with Northern Pass are an annoyance. The DOE approval was delayed another month or two (July/August) while at the conference.
- That said, ES remains committed to hitting its 6-8% growth target even with delays in NPT and Access Northeast. More importantly, there is building political support for these projects by the Governors and legislatures in the region.

NiSource Utilities (NI): Confidence in plan post split

- Conservative business plan. The company stressed that its business plan and 4%-6% growth rate is fairly conservative given its $30B long-term investment backlog.
- Balanced regulation. A meaningful amount of capex is under trackers and most jurisdictions are earning their allowed ROEs.
- Focus on execution. The management team's main focus in the near term is execution on the financial goals and establishing a track record.
- Equity needs do not appear large. Despite some concerns following the NI call last week, it appears that NI's base growth plan will not need material new equity beyond the current DRIP. The split could boost NI's business risk profile up a notch, giving more leeway on the balance sheet.

PG&E Corp. (PCG): Moving past San Bruno

- PCG still views the recent San Bruno order as a key turning point despite some of the negative commentary that came with it from CPUC President Picker and other commissioners. PCG is confident its operations and safety have meaningfully improved and is looking forward to more dialogue with the commissioners to show it once they are allowed to.
- The recent news stories about transmission substation security weakness were misleading. The reporter ignored emails from the executive who had concerns that later showed her concerns were allayed.
- On the dividend, the company remains very focused on returning to a growing dividend. We came away still thinking this was possible in 2015.
- PCG will file a new GRC this Fall and extend its ratebase growth plan through 2019. Prior comments indicate that this will likely stay in the same ballpark as the current growth plan. unlike EIX, PCG does not plan to highlight capex spend numbers when it files its distribution resource plan in June.

PSEG (PEG): The trolley company done well

- Fun fact - PSEG was founded as a trolley company a century ago and owned what is now NJ transit until the 1970s.
- PSEG has filed to accelerate its cast iron pipe replacement. The plan would increase capex by $300m per year and is not in the current capital plan. PSEG hopes to keep employees currently working on Energy Strong and transition them into this gas investment program. A BPU decision is expected later this year.
- The new BPU chairman is knowledgeable on the sector and there is a strong focus on infrastructure improvement in the state.

Sempra Energy (SRE): More bullish on LNG, rate cases and dividend

- More constructive comments on LNG. Management appeared to have added confidence in the outlook for the Cameron expansion and Port Arthur. Conversations with potential counterparties are going well and while there were few details, management indicated the counterparties were ones investors would have high confidence in. Announcements are likely this year.
- California rate cases progressing well. Recommendations in the gas and electric rate cases from intervenors are constructive. ORA has recommended 3.5% rate attrition and is looking for a four year rate case stay out; the attrition is above the 2.75% in SRE's base case and there is currently a 3-year stay out. Company remains hopeful for a settlement after hearings this summer.

- MLP coming as soon as possible. Management wants the MLP to be trading before the end of the year (assuming a formal decision to move forward). Progress is being made on partnership agreements and the PLR on ECA is expected very soon.
- Could see accelerated dividend growth. SRE noted that the current dividend policy was set with the assumption that growth would be financed with SRE equity. The cost of capital advantages of IEnova and a potential MLP, plus the success over the last couple years in finding incremental growth projects has led to discussions on whether dividend growth could be boosted.

Spectra Energy (SE): DCP a distraction; growth projects going well

- Major investment projects all moving ahead. Overall management was confident in its large backlog of pipeline development projects.
- Access Northeast getting close. With Central Maine Power most recently signed on, the pipeline has the support of the vast majority of LDC offtakers in New England. The project also uses a lot of existing rights of way. Regulators have the authority to approve the electric tariffs in all states but CT. Ultimately SE does not see why more import capacity should not be built (I.e. Kinder's project) but its project is the better choice now.
- DCP a focus, but optimistic a reasonable resolution will be found. Spectra continues to work on a restructuring for the NGL/gas processing unit that has been hit by the weakness in liquids prices. SE is aiming for a resolution to stabilize the business (without equity infusions from SE) sometime this fall.
- Do not see a need to roll up SEP. Management does not see the need to roll up its MLP into the parent like KMI and WMB anytime soon. SE still owns a significant portion of the dropdown inventory meaning that (a) SEP does not have the cost of capital headwinds like KMP/WPZ and (b) tax shields generated from the basis step-up would be relatively small.

TECO Energy (TE): NM Gas deal on plan

- On the New Mexico Gas deal, management is happy with integration and everything is on track. Sales growth has been a bit weaker, but not concerning.
- TE is very happy with the Florida utility business with long term rate certainty through 2017 and an improving economy. The 2017 Polk rate hike of $110m is more than adequate as costs to bring Polk in service are likely to be lower than initially thought (lower financing cost, lower construction cost). This could help 2017 numbers.
- TE is still working on the coal sale with the current buyer for early June. If it does not get done, TE has seen other active buyers and would hope to work with them. Worst case, the company could look to sell it in pieces. In the end, this is more of a sideshow.
- TE is still interested in other gas LDCs where they could be impactful on the regulatory side and buy at an accretive price. They did not seem interested in SourceGas though.

UIL Holdings (UIL): Practicing their Spanish

- UIL is already making good progress on their merger approvals with Iberdrola US. A Connecticut ruling is due in early July. Massachusetts will come in the Fall.
- The S-4 for the shareholder merger approval is expected to be filed in late Q2. This will be a key document since it will provide the first glimpse into Iberdrola US segment financial on a GAAP basis and also give more view on key drivers of the merged companies' 10% growth forecast. Iberdrola US will represent over 80% of merged company earnings so this is key to value the new UIL. A recent comment by Iberdrola that the US growth rate was only 7% apparently did not include any new growth projects.
- UIL believes both NE pipelines (Access Northeast and the KMI pipe) should be built and is interested in an equity stake.

Wisconsin Energy (WEC): Merger coming closer; detailed update coming at EEI

- Confident in plan on merger. The company remains upbeat on the accelerated growth path provided by the TEG merger. Apart from the higher growth rate the merger, WEC remained optimistic on its ability to improve customer service and reduce costs in IL and northern Michigan
- More details coming at EEI. Assuming timely state merger approvals that allow the merger to close in Q3, WEC expects to roll out an updated long-term financial outlook at EEI in November.
- State approvals should be wrapped up by the summer. Management reviewed the merger approval in Wisconsin - the provisions including deferring a new power plant and sharing synergies in the next rate case are reasonable. Michigan is in hand, and WEC is confident in getting approvals in IL and MN by early July.

Xcel Energy (XEL): Progress in Minnesota

- In the middle of the conference, XEL got word the MN legislature passed an energy bill that includes new utility regulatory language that could reduce regulatory lag. The bill includes multi-year rate plans as long as 5 years with capital and O&M riders.
- The bill does not force the regulators to implement this so it will be important to see how they address this in XEL's 2016 rate case to be filed late this year.
- XEL has some projects that could be additive to the current capital plan. These include the Courtenay wind farm ($300m), other potential new renewables and a proposal to ratebase gas production assets in Colorado.

WOLFE RESEARCH

Comparables Tables

Exhibit 2: Regulated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2015E	P/E 2016E	P/E 2017E	P/E 2018E	Div Yield	Div Growth (E)	Payout Ratio	Price/ Book	Equity Ratio
Alliant Energy	LNT	$61.26	113	$6,921	16.9x	15.9x	15.2x	14.4x	3.6%	6.0%	61%	1.9x	50%
Ameren	AEE	40.74	243	9,885	16.0x	15.0x	14.2x	13.5x	4.0%	3.0%	64%	1.5x	48%
American Electric	AEP	55.80	490	27,339	16.2x	15.1x	14.4x	13.4x	3.8%	5.0%	61%	1.6x	45%
CMS Energy	CMS	34.15	277	9,453	18.1x	16.9x	15.8x	14.8x	3.4%	6.5%	62%	2.5x	30%
Con Edison	ED	61.14	293	17,906	15.4x	15.4x	14.7x	14.1x	4.3%	3.0%	65%	1.4x	50%
DTE Energy	DTE	79.53	179	14,262	17.3x	16.4x	15.4x	14.5x	3.5%	5.0%	60%	1.6x	49%
Duke Energy	DUK	76.19	692	52,688	16.2x	15.5x	14.7x	14.1x	4.2%	5.0%	68%	1.3x	48%
Edison International	EIX	60.58	326	19,738	17.1x	15.9x	14.6x	13.7x	2.8%	11.0%	47%	1.8x	47%
Eversource Energy	ES	49.32	318	15,666	17.5x	16.5x	15.3x	14.0x	3.4%	6.8%	59%	1.5x	51%
Great Plains Energy	GXP	26.24	154	4,049	17.5x	14.8x	14.0x	13.7x	3.7%	6.1%	66%	1.1x	46%
ITC Holdings	ITC	35.91	155	5,574	16.6x	17.4x	15.5x	14.0x	1.8%	10.0%	30%	3.2x	29%
PG&E	PCG	53.01	480	25,443	14.8x	13.8x	14.2x	13.5x	3.4%	1.1%	51%	1.6x	50%
Pinnacle West	PNW	60.78	111	6,731	15.8x	15.1x	14.4x	14.0x	3.9%	4.8%	62%	1.5x	55%
Portland General	POR	35.04	78	2,745	16.4x	15.1x	14.4x	14.0x	3.4%	5.9%	56%	1.4x	44%
SCANA	SCG	53.36	143	7,626	14.4x	13.7x	12.6x	11.8x	4.1%	3.3%	59%	1.5x	43%
Southern Company	SO	43.67	908	39,664	15.5x	14.9x	14.4x	14.1x	5.0%	3.6%	77%	2.0x	46%
TECO Energy	TE	18.91	235	4,446	17.1x	16.0x	14.9x	14.2x	4.8%	2.0%	81%	1.7x	40%
Westar Energy	WR	36.42	132	4,816	16.3x	15.2x	14.8x	14.4x	4.0%	3.0%	64%	1.5x	47%
Wisconsin Energy	WEC	48.23	225	10,876	17.6x	16.7x	15.9x	15.0x	3.5%	8.0%	62%	2.5x	47%
Xcel Energy	XEL	34.37	507	17,423	16.4x	15.2x	14.4x	13.8x	3.7%	6.0%	61%	1.7x	45%
Average					**16.5x**	**15.5x**	**14.7x**	**14.0x**	**3.7%**	**5.1%**	**61%**	**1.8x**	**46%**

Source: Wolfe Utilities & Power Research

Exhibit 3: Gas/Power Infrastructure Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2015E	P/E 2016E	P/E 2017E	P/E 2018E	Div Yield	Div Growth	Payout Ratio
CenterPoint	CNP	$20.39	430	$8,772	19.3x	18.5x	17.5x	16.4x	4.9%	5.0%	94%
Dominion	D	72.19	589	42,544	19.7x	18.9x	17.8x	16.1x	3.6%	8.0%	71%
NextEra	NEE	102.51	444	45,527	18.6x	16.8x	15.8x	14.9x	3.0%	6.0%	56%
NiSource	NI	46.93	317	14,895	25.4x	23.7x	21.2x	19.0x	2.2%	9.0%	56%
Sempra	SRE	107.82	248	26,694	22.5x	20.9x	19.8x	16.7x	2.6%	6.0%	58%
Average					**21.1x**	**19.8x**	**18.4x**	**16.6x**	**3.3%**	**6.7%**	**67%**

Source: Wolfe Utilities & Power Research

May 20, 2015

Exhibit 4: YieldCo Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2015E	2016E	2017E	2018E	Div Yield
NextEra Energy Partners	NEP	$43.58	19	$815	14.9x	12.5x	10.7x	9.5x	1.7%
NRG Yield	NYLD	23.79	155	3,679	12.6x	11.1x	10.8x	10.5x	3.4%
Abengoa Yield*	ABY	37.24	80	2,979	11.6x	9.9x	10.2x	#N/A	2.8%
Pattern Energy*	PEGI	28.75	69	1,991	12.7x	9.1x	7.3x	#N/A	4.8%
TerraForm Power*	TERP	38.81	56	2185	20.5x	14.2x	11.7x	#N/A	2.3%
Average					**14.4x**	**11.4x**	**10.1x**	**10.0x**	**3.0%**

Source: Wolfe Utilities & Power Research
*Not covered by Wolfe Research, estimates based on consensus

Exhibit 5: Integrated Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	P/E 2015E	2016E	2017E	2018E	Implied Genco EV / EBITDA 2015E	2016E	2017E	2018E	Div Yield	Div Growth	Payout Ratio
Entergy	ETR	$76.21	180	$13,681	13.4x	14.2x	13.4x	12.7x	8.4x	8.0x	7.8x	7.6x	4.4%	0.0%	58%
Exelon	EXC	34.62	861	29,816	14.0x	14.6x	13.5x	12.8x	7.9x	8.1x	7.7x	7.4x	3.6%	0.0%	50%
FirstEnergy	FE	35.50	422	14,982	13.8x	13.6x	14.7x	13.9x	11.9x	8.3x	7.5x	6.8x	4.1%	0.0%	56%
PPL Corp.	PPL	34.60	668	23,117	15.9x	15.2x	14.9x	14.2x	9.5x	9.7x	9.9x	9.6x	4.3%	2.0%	68%
PSEG	PEG	43.03	506	21,767	14.4x	14.4x	14.5x	14.1x	7.0x	7.1x	7.5x	7.2x	3.6%	5.0%	52%
Average					**14.3x**	**14.4x**	**14.2x**	**13.5x**	**8.9x**	**8.2x**	**8.1x**	**7.7x**	**4.0%**	**1.2%**	**57%**

Source: Wolfe Utilities & Power Research

Exhibit 6: IPP Comparables

Company Name	Ticker	Current Price	Current Shares	Mkt Cap ($M)	EV/EBITDA 2015E	2016E	2017E	2018E	Free Cash Flow Yield 2015E	2016E	2017E	2018E
Calpine	CPN	$20.99	372	$7,816	9.5x	10.1x	9.6x	9.0x	11.2%	10.0%	10.6%	11.9%
Dynegy	DYN	33.07	128	4,238	11.0x	8.4x	7.6x	6.7x	2.8%	10.5%	12.2%	14.5%
NRG Energy	NRG	25.80	333	8,604	8.6x	9.8x	10.0x	9.1x	14.1%	8.9%	11.4%	14.0%
Average					**9.7x**	**9.4x**	**9.1x**	**8.3x**	**9.3%**	**9.8%**	**11.4%**	**13.5%**

Source: Wolfe Utilities & Power Research

DISCLOSURE SECTION

Analyst Certification:

The analyst of Wolfe Research, LLC primarily responsible for this research report whose name appears first on the front page of this research report hereby certifies that (i) the recommendations and opinions expressed in this research report accurately reflect the research analysts' personal views about the subject securities or issuers and (ii) no part of the research analysts' compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this report.

Other Disclosures:

Wolfe Research, LLC Fundamental Stock Ratings Key:

Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.
Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
Underperform (UP):	The security is projected to underperform analyst's industry coverage universe over the next 12 months.

Wolfe Research, LLC uses a relative rating system using terms such as Outperform, Peer Perform and Underperform (see definitions above). Please carefully read the definitions of all ratings used in Wolfe Research, LLC research. In addition, since Wolfe Research, LLC research contains more complete information concerning the analyst's views, please carefully read Wolfe Research, LLC research in its entirety and not infer the contents from the ratings alone. In all cases, ratings (or research) should not be used or relied upon as investment advice and any investment decisions should be based upon individual circumstances and other considerations.

Wolfe Research, LLC Sector Weighting System:

Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

Wolfe Research, LLC Distribution of Fundamental Stock Ratings (As of March 31, 2015):

Outperform:	42%	1% Investment Banking Clients
Peer Perform:	49%	1% Investment Banking Clients
Underperform:	9%	0% Investment Banking Clients

Wolfe Research, LLC does not assign ratings of Buy, Hold or Sell to the stocks it covers. Outperform, Peer Perform and Underperform are not the respective equivalents of Buy, Hold and Sell but represent relative weightings as defined above. To satisfy regulatory requirements, Outperform has been designated to correspond with Buy, Peer Perform has been designated to correspond with Hold and Underperform has been designated to correspond with Sell.

Wolfe Research Securities and Wolfe Research, LLC have adopted the use of Wolfe Research as brand names. Wolfe Research Securities, a member of FINRA (www.finra.org) is the broker-dealer affiliate of Wolfe Research, LLC and is responsible for the contents of this material. Any analysts publishing these reports are dually employed by Wolfe Research, LLC and Wolfe Research Securities.

The content of this report is to be used solely for informational purposes and should not be regarded as an offer, or a solicitation of an offer, to buy or sell a security, financial instrument or service discussed herein. Opinions in this communication constitute the current judgment of the author as of the date and time of this report and are subject to change without notice. Information herein is believed to be reliable but Wolfe Research and its affiliates, including but not limited to Wolfe Research Securities, makes no representation that it is complete or accurate. The information provided in this communication is not designed to replace a recipient's own decision-making processes for assessing a proposed transaction or investment involving a financial instrument discussed herein. Recipients are encouraged to seek financial advice from their financial advisor regarding the appropriateness of investing in a security or financial instrument referred to in this report and should understand that statements regarding the future performance of the financial instruments or the securities referenced herein may not be realized. Past performance is not indicative of future results. This report is not intended for distribution to, or use by, any person or entity in any location where such distribution or use would be contrary to applicable law, or which would subject Wolfe Research, LLC or any affiliate to any registration requirement within such location. For additional important disclosures, please see www.WolfeResearch.com/Disclosures.

The views expressed in Wolfe Research, LLC research reports with regards to sectors and/or specific companies may from time to time be inconsistent with the views implied by inclusion of those sectors and companies in other Wolfe Research, LLC analysts' research reports and modeling screens. Wolfe Research communicates with clients across a variety of mediums of the clients' choosing including emails, voice blasts and electronic publication to our proprietary website.

UBS | Global Research | 14 May 2015

NiSource/Columbia Pipeline Partners
Up Next the Spin

Equities

Americas
Energy

Shneur Z. Gershuni, CFA
Analyst
shneur.gershuni@ubs.com
+1-212-713 3974

Jennifer Hills
Associate Analyst
jennifer.hills@ubs.com
+1-212-713 2928

No Major Surprises

Today's detailed outlook for NiSource and Columbia Pipeline group post the planned July 1, 2015 split were roughly in line with our May 11 initiation reports, and therefore, we are making only minor changes to our estimates and we reiterate our Buy ratings on both NI and CPPL. Overall the biggest change to our model is that debt at the time of the split will be about ~$250mm less at CPGX and ~$1bn less at NI vs. our prior estimates. The combined dividend at the time of the split will be $0.28, a penny above our expectations.

Stronger EPS Base at NiSource out of the Gate

2016 EPS guidance at the mid-point is $1.05, above our estimate of $0.96. Net income and dividends are expected to grow at 4%-6% in line with our previous expectations albeit off of a higher base. The significantly lower debt at NI post the split is a main contributor to the difference.

Strong EBITDA Growth at CPGX, Weaker Distribution Growth at CPPL

There were minor changes to the investment growth pipeline projections at CPGX that we have now reflected in our model. Management provided a detailed outlook for the $8bn in planned growth capex spending that also resulted in some minor changes in estimates. Management expects EBITDA to grow at CPGX at a 20% average rate over the next five years which is above our previous high-teens growth rate. The distribution growth target at CPPL was disappointing as management has guided towards 20% vs. our low 20's expectation. While we understand mgmt. prudence on the CPGX dividend growth rate of 15% and resulting higher coverage during the heavy build-out phase; we can see a scenario where the CPGX dividend growth accelerates materially in '18 (ie 35%-40% growth rate) when IDR cash flows begin to materialize.

Valuation: Price Targets and Ratings Unchanged

We are maintaining our $49 sum-of-the parts derived PT for NiSource shares and reiterate our Buy rating as we believe the value of the split into two focused companies with significant investment growth programs is not fully reflected in current share price. We maintain our DDM derived $30 PT for CPPL units and maintain our Buy Rating.

Figure 1: Changes to ratings, Price Targets and Estimates

Changes to Ratings, Price targets and Estimates												
		Price	Rating		Price target		2015E EPS		2016E EPS		2017E EPS	
Company	RIC	13-May-15	New	Old	New	Old	New	Old	New	Old	New	Old
Columbia Pipeline	CPPL.N	27.24	Buy	Buy	30.00	30.00	0.71	0.73	1.22	1.23	1.64	1.58
NiSource	NI.N	43.94	Buy	Buy	49.00	49.00	1.73	1.77	1.82	1.83	1.82	1.92
Source: UBS Estimates												

www.ubs.com/investmentresearch

Figure 2: NiSource Sum-of-the-Parts Valuation

Consolidated NiSource SUM-OF-THE-PARTS			
Columbia Pipeline Group			**Value**
Columbia Pipeline Partners	Units	PT	
CPPL Subordinate Units	46.8	$30.00	$1,404
PV of GP IDRs From CPPL			$4,750
		Columbia Pipeline Partners	**$6,154**
	2015 EBITDA		'15-'25 DCF
PV of DCF from Columbia Op-Co	$578		$7,323
		Total	$13,477
		Less Net Debt	-$3,486
		Total Equity	$9,992
		Shares Outstanding	317.8
		Columbia Pipeline Group Value Per Share (12-months)	**$31.00**
NiSource Natural Gas Distribution and Electric Utility			**Value**
Natural Gas Utilities	$751	9x	$ 6,761
Electric Utilities	510	9x	$4,588
		Total	$ 11,349
		Less Net Debt	$ (5,768)
		Total Equity	$ 5,581
		Shares Outstanding	317.8
		Gas Distribution & Electric Utility Value Per Share (12-months)	**$18.00**
		Sum-of-the-Parts Valuation Per Share	**$49.00**

Source: UBSe

Figure 3: Columbia Pipeline Partners DDM Model

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Distribution Per Unit	$0.70	$0.84	$1.02	$1.22	$1.47	$1.77	$2.04	$2.30	$2.53	$2.69	$2.83
Y/Y growth		*20.5%*	*20.4%*	*20.4%*	*20.4%*	*20.4%*	*15.3%*	*12.6%*	*9.8%*	*6.6%*	*5.0%*
Coverage	1.13x	1.42x	1.56x	1.98x	1.81x	1.35x	1.2x	1.11x	1.06x	1.05x	1.03x
Terminal Value											$ 33.12
PV of Distributions	$0.68	$0.76	$0.86	$0.97	$1.09	$1.23	$1.32	$1.39	$1.43	$1.43	$1.40
Terminal Value PV											$15.60

Equity Value Per Share	$28.17
12-Month Price Target	**$30**
Current Share Price	$27
Upside/(Downside)	10%

Assumptions	
10-Year Growth Rate	15.0%
Terminal Growth Rate	4.00%
Stable Coverage Ratio	1.54x
Risk Free Rate	4.50%
Beta	0.60
Equity Risk Premium	4.00%
Cost of Equity	6.90%
Terminal Cost of Equity	7.43%

Source: UBSe

Statement of Risk

Key risks for pipeline partnerships include the following: unexpected prolonged and precipitous decline in commodity prices; interest rate risk; risks associated with leverage; environmental risks; and regulatory risks associated with the Federal Energy Regulatory Commission's governance over pipeline tariff rates. Key risks for marine transportation partnerships include the following: OPA 90 costs; potential changes to the Jones Act; and environmental risks. Key risks for coal partnerships include: reliance on third party operators; decline in coal prices or production; and environmental risks. Key risks for propane partnerships include the following: weather (particularly warm winters) as with all propane and heating oil distribution companies; prolonged and sharp increases in wholesale prices of propane and heating oil caused by changes in supply or other market conditions; dependence on acquisitions for growth; and interest rate risk (as all MLP units, tend to trade inversely with interest rates).

Unitholders may be required to file taxes in states where the partnership conducts business and should consult a tax advisor for further assistance.

Required Disclosures

This report has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

Analyst Certification: Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	45%	37%
Neutral	FSR is between -6% and 6% of the MRA.	43%	33%
Sell	FSR is > 6% below the MRA.	12%	20%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 March 2015.
1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES: UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with the NASD and NYSE and therefore are not subject to the restrictions contained in the NASD and NYSE rules on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

UBS Securities LLC: Shneur Z. Gershuni, CFA; Jennifer Hills.

Company Disclosures

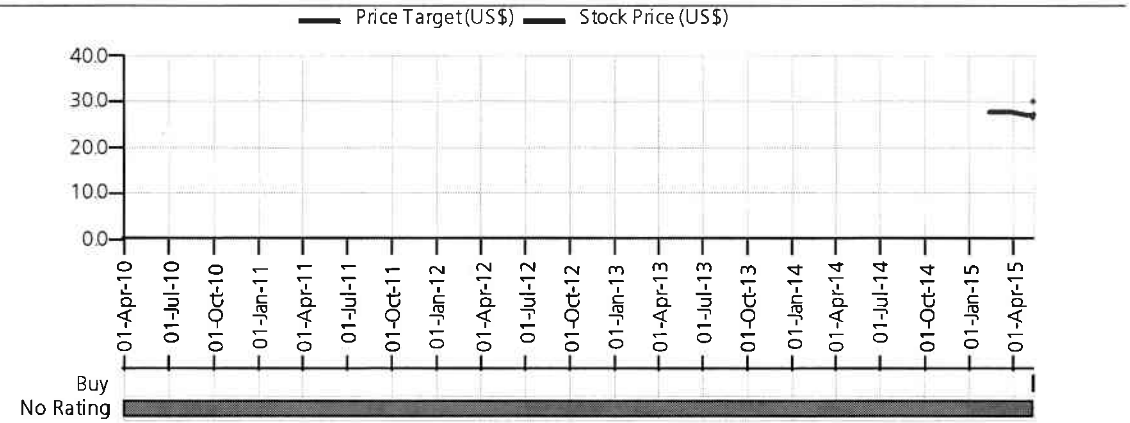
Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Columbia Pipeline Partners LP[16]	CPPL.N	Buy	N/A	US$27.24	13 May 2015
NiSource Inc.[16]	NI.N	Buy	N/A	US$43.94	13 May 2015

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

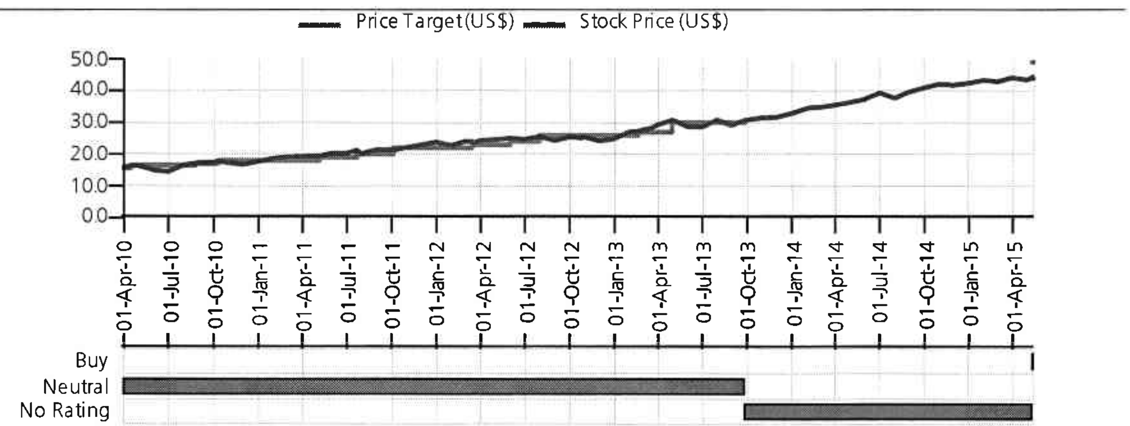
Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Columbia Pipeline Partners LP (US$)



Source: UBS; as of 13 May 2015

NiSource Inc. (US$)



Source: UBS; as of 13 May 2015

Global Disclaimer

This document has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

Global Research is provided to our clients through UBS Neo, the UBS Client Portal and UBS.com (each a "System"). It may also be made available through third party vendors and distributed by UBS and/or third parties via e-mail or alternative electronic means. The level and types of services provided by Global Research to a client may vary depending upon various factors such as a client's individual preferences as to the frequency and manner of receiving communications, a client's risk profile and investment focus and perspective (e.g. market wide, sector specific, long-term, short-term, etc.), the size and scope of the overall client relationship with UBS and legal and regulatory constraints.

When you receive Global Research through a System, your access and/or use of such Global Research is subject to this Global Research Disclaimer and to the terms of use governing the applicable System.

When you receive Global Research via a third party vendor, e-mail or other electronic means, your use shall be subject to this Global Research Disclaimer and to UBS's Terms of Use/Disclaimer (http://www.ubs.com/global/en/legalinfo2/disclaimer.html). By accessing and/or using Global Research in this manner, you are indicating that you have read and agree to be bound by our Terms of Use/Disclaimer. In addition, you consent to UBS processing your personal data and using cookies in accordance with our Privacy Statement (http://www.ubs.com/global/en/legalinfo2/privacy.html) and cookie notice (http://www.ubs.com/global/en/homepage/cookies/cookie-management.html).

If you receive Global Research, whether through a System or by any other means, you agree that you shall not copy, revise, amend, create a derivative work, transfer to any third party, or in any way commercially exploit any UBS research provided via Global Research or otherwise, and that you shall not extract data from any research or estimates provided to you via Global Research or otherwise, without the prior written consent of UBS.

For access to all available Global Research on UBS Neo and the Client Portal, please contact your UBS sales representative.

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject UBS to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ('the Information'), except with respect to Information concerning UBS. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. UBS does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS. Any statements contained in this report attributed to a third party represent UBS's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates or other market conditions. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument referred to in the document. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither UBS nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by UBS or any other source may yield substantially different results.

This document and the Information are produced by UBS as part of its research function and are provided to you solely for general background information. UBS has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. In no circumstances may this document or any of the Information be used for any of the following purposes:

(i) valuation or accounting purposes;

(ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or

(iii) to measure the performance of any financial instrument.

By receiving this document and the Information you will be deemed to represent and warrant to UBS that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information.

Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this document is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this document. For financial instruments admitted to trading on a non-EU regulated market: UBS may act as a market maker save that where this activity is carried out in the US in accordance with the definition given to it by the relevant laws and regulations, such activity will be specifically disclosed in this document. UBS may have issued a warrant the value of which is based on one or more of the financial instruments referred to in the document. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein; such transactions or positions may be inconsistent with the opinions expressed in this document.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is distributed by UBS Limited to persons who are eligible counterparties or professional clients. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France S.A. UBS Securities France S.A. is regulated by the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this document, the document is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt fur Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Distributed by UBS Limited. No information in this document is provided for the purpose of offering, marketing and sale by any means of any capital market instruments and services in the Republic of Turkey. Therefore, this document may not be considered as an offer made or to be made to residents of the Republic of Turkey. UBS AG is not licensed by the Turkish Capital Market Board under the provisions of the Capital Market Law (Law No. 6362). Accordingly, neither this document nor any other offering material related to the instruments/services may be utilized in connection with providing any capital market services to persons within the Republic of Turkey without the prior approval of the Capital Market Board. However, according to article 15 (d) (ii) of the Decree No. 32, there is no restriction on the purchase or sale of the securities abroad by residents of the Republic of Turkey. **Poland:** Distributed by UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce regulated by the Polish Financial Supervision Authority. Where an analyst of UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce has contributed to this document, the document is also deemed to have been prepared by UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce. **Russia:** Prepared and distributed by UBS Bank (OOO). **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. UBS AG is regulated by the Swiss Financial Market Supervisory Authority (FINMA). **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this document, the document is also deemed to have been prepared by UBS Italia Sim S.p.A. **South Africa:** Distributed by UBS South Africa (Pty) Limited (Registration No. 1995/011140/07), an authorised user of the JSE and an authorised Financial Services Provider (FSP 7328). **Israel:** This material is distributed by UBS Limited. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. UBS Securities Israel Ltd is a licensed Investment Marketer that is supervised by the Israel Securities Authority (ISA). UBS Limited and its affiliates incorporated outside Israel are not licensed under the Israeli Advisory Law. UBS Limited is not covered by insurance as required from a licensee under the Israeli Advisory Law. UBS may engage among others in issuance of Financial Assets or in distribution of Financial Assets of other issuers for fees or other benefits. UBS Limited and its affiliates may prefer various Financial Assets to which they have or may have Affiliation (as such term is defined under the Israeli Advisory Law). Nothing in this Material should be considered as investment advice under the Israeli Advisory Law. This Material is being issued only to and/or is directed only at persons who are Eligible Clients within the meaning of the Israeli Advisory Law, and this material must not be relied on or acted upon by any other persons. **Saudi Arabia:** This document has been issued by UBS AG (and/or any of its subsidiaries, branches or affiliates), a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich. This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority to conduct securities business under license number 08113-37. **Dubai:** The information distributed by UBS AG Dubai Branch is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a **'non-US affiliate'**) to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a document prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this document must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. **Canada:** Distributed by UBS Securities Canada Inc., a registered investment dealer in Canada and a Member-Canadian Investor Protection Fund, or by another affiliate of UBS AG that is registered to conduct business in Canada or is otherwise exempt from registration. **Brazil:** Except as otherwise specified herein, this material is prepared by UBS Brasil CCTVM S.A. to persons who are eligible investors residing in Brazil, which are considered to be: (i) financial institutions, (ii) insurance firms and investment capital companies, (iii) supplementary pension entities, (iv) entities that hold financial investments higher than R$300,000.00 and that confirm the status of qualified investors in written, (v) investment funds, (vi) securities portfolio managers and securities consultants duly authorized by Comissão de Valores Mobiliários (CVM), regarding their own investments, and (vii) social security systems created by the Federal Government, States, and Municipalities. **Hong Kong:** Distributed by UBS Securities Asia Limited and/or UBS AG, Hong Kong Branch. **Singapore:** Distributed by UBS Securities Pte. Ltd. [MCI (P) 016/09/2014 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte. Ltd., an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110); or UBS AG, Singapore Branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or document. The recipients of this document represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **Japan:** Distributed by UBS Securities Japan Co., Ltd. to professional investors (except as otherwise permitted). Where this document has been prepared by UBS Securities Japan Co., Ltd., UBS Securities Japan Co., Ltd. is the author, publisher and distributor of the document. Distributed by UBS AG, Tokyo Branch to Professional Investors (except as otherwise permitted) in relation to foreign exchange and other banking businesses when relevant. **Australia:** Clients of UBS AG: Distributed by UBS AG (Holder of Australian Financial Services License No. 231087). Clients of UBS Securities Australia Ltd: Distributed by UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098). Clients of UBS Wealth Management Australia Ltd: Distributed by UBS Wealth Management Australia Ltd (Holder of Australian Financial Services Licence No. 231127). This Document contains general information and/or general advice only and does not constitute personal financial product advice. As such, the Information in this document has been prepared without taking into account any investor's objectives, financial situation or needs, and investors should, before acting on the Information, consider the appropriateness of the Information, having regard to their objectives, financial situation and needs. If the Information contained in this document relates to the acquisition, or potential acquisition of a particular financial product by a 'Retail' client as defined by section 761G of the Corporations Act 2001 where a Product Disclosure Statement would be required, the retail client should obtain and consider the Product Disclosure Statement relating to the product before making any decision about whether to acquire the product. The UBS Securities Australia Limited Financial Services Guide is available at: www.ubs.com/ecs-research-fsg. **New Zealand:** Distributed by UBS New Zealand Ltd. The information and recommendations in this publication are provided for general information purposes only. To the extent that any such information or recommendations constitute financial advice, they do not take into account any person's particular financial situation or goals. We recommend that recipients seek advice specific to their circumstances from their financial advisor. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This document may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (Capital Markets Services License No.: CMSL/A0063/2007). This material is intended for professional/institutional clients only and not for distribution to any retail clients. **India:** Prepared by UBS Securities India Private Ltd. (Corporate Identity Number U67120MH1996PTC097299) 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000 SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, BSE (Capital Market Segment) INB010951437.

The disclosures contained in research documents produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS

UBS | Global Research | 11 May 2015

Initiation of Coverage

NiSource Inc.
Sum of Parts > Whole

Equities

Americas
Gas Utilities

12-month rating	Buy
	Prior: Not Rated
12m price target	US$49.00
	Prior: -
Price	US$44.07

RIC: NI.N BBG: NI US

Trading data and key metrics	
52-wk range	US$45.00-35.86
Market cap.	US$14.0bn
Shares o/s	317m (COM)
Free float	99%
Avg. daily volume ('000)	520
Avg. daily value (m)	US$22.6
Common s/h equity (12/15E)	US$6.57bn
P/BV (12/15E)	2.1x
Net debt / EBITDA (12/15E)	4.6x

EPS (UBS, diluted) (US$)

	12/15E			
	From	To	% ch	Cons.
Q1	-	0.85	-	0.85
Q2E	-	0.26	-	0.26
Q3E	-	0.15	-	0.19
Q4E	-	0.51	-	0.54
12/15E	-	1.77	-	1.82
12/16E	-	1.83	-	1.90
12/17E	-	1.92	-	2.04

Shneur Z. Gershuni, CFA
Analyst
shneur.gershuni@ubs.com
+1-212-713 3974

Jennifer Hills
Associate Analyst
jennifer.hills@ubs.com
+1-212-713 2928

Initiating Coverage with Buy Rating

NiSource is in the midst of a significant growth investment cycle that has the potential to drive mid-single-digit earnings growth at the gas distribution and electric utility company and high-teens growth at the pipeline company. We believe the separation of the businesses into two publicly traded entities will create greater visibility into the growth potential of both and enable them to be valued more easily against their peers.

Aggressive Growth Plans Should Drive Dividend Growth

The gas and utility businesses plan to invest $30bn in utility modernization and growth investment over the next 20 years. We estimate that this could translate into the rate base growing at an ~8% CAGR over the next five years, which should support mid-single-digits earnings and dividend growth. Additionally, the pipeline company has plans to spend $8.6bn over the next five years, which should translate into a high teens EBITDA growth over this period and similar distribution growth. We expect CPPL to be a "best in class" distribution growing MLP, growing its distributions at a 3-yr CAGR of 24.7%, well above the peer group average of 17.6%.

MLP & Spin-out Not Fully Reflected

We believe the benefit of a MLP for the natural gas transportation and storage assets are not fully reflected in current share price of NiSource. We have used a DDM to value the MLP at $30/unit. We then value CPGX at $31/share (1:1 exchange), by adding the value of the subordinated LP units using our MLP PT, PV of IDRs, and PV of CPGX's ownership of Op-Co. Finally, we value the utility at $18/share using transaction multiples. Our sum-of-the-parts valuation of $49 is 11% above where shares are currently trading.

Valuation: Buy Rating, $49 PT

We initiate coverage of NI with a $49 PT derived using a sum-of-the-parts method. We believe current valuation doesn't fully reflect the benefit of the spin-out of CPGX on July 1 or the benefit of the MLP, and therefore, we initiate coverage with a Buy Rating.

Highlights (US$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	5,085	5,657	6,473	6,636	7,071	7,446	8,124	8,576
EBIT (UBS)	1,068	1,168	1,265	1,314	1,401	1,503	1,937	2,114
Net earnings (UBS)	470	491	514	561	583	612	852	954
EPS (UBS, diluted) (US$)	1.57	1.57	1.62	1.77	1.83	1.92	2.66	2.98
DPS (US$)	0.95	0.99	1.03	1.07	1.13	1.19	1.26	1.34
Net (debt) / cash	(8,067)	(8,808)	(9,974)	(9,105)	(9,791)	(10,499)	(10,849)	(9,962)
Profitability/valuation	**12/12**	**12/13**	**12/14**	**12/15E**	**12/16E**	**12/17E**	**12/18E**	**12/19E**
EBIT margin %	21.0	20.6	19.5	19.8	19.8	20.2	23.8	24.7
ROIC (EBIT) %	9.0	9.2	9.2	9.0	9.1	9.2	11.3	12.1
EV/EBITDA (core) x	8.4	9.2	10.4	11.5	10.5	10.0	8.3	7.5
P/E (UBS, diluted) x	15.6	18.9	23.3	25.0	24.1	23.0	16.5	14.8
Equity FCF (UBS) yield %	(2.8)	(4.8)	(5.9)	0.2	(2.6)	(2.6)	0.1	9.1
Net dividend yield %	3.9	3.3	2.7	2.4	2.6	2.7	2.9	3.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$44.07 on 08 May 2015 19:38 EDT

www.ubs.com/investmentresearch

Investment Thesis

NiSource Inc.

12-month rating **Buy**

12m price target **US$49.00**

Investment case

NiSource is a regulated company that distributes natural gas and electricity as well as transports and stores natural gas through Columbia Pipeline Group (CPG). Earnings growth is driven by expanding rate bases as infrastructure investments are made and by approved rate increases. NI has received a FERC settlement with its customers that permits the company to invest $300 million per year to modernize its large Columbia Gas pipeline system. NI is also modernizing its natural gas distribution systems and its electric transmission network. These infrastructure investments will result in rate base and earnings growth. NI is also pursuing rate relief in various jurisdictions. Our Buy Rating reflects our view that the aggressive investment growth plans and benefits of the spin-out of CPGX on July 1, 2015 are not fully reflected in current valuation.

Upside scenario

Our upside scenario value of $58 assumes our upside value on CPPL LP units, 50bps higher growth on CPGX IDRs and DCF from Op-Co ownership, and 100bp higher multiples on gas and electric utility businesses.

Downside scenario

Our downside scenario value of $40 assumes our downside value on CPPL LP units, 50bps lower growth on CPGX IDRs and DCF from Op-Co ownership, and 100bp lower multiples on gas and electric utility businesses.

Upcoming catalysts

Detailed outlook for NiSource and Columbia Pipeline Group post the spin-out which is scheduled for May 14.
Spin-out of Columbia Pipeline Group on July, 1, 2015
Second Quarter earnings at the end of July.

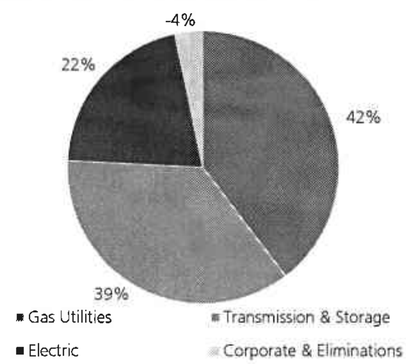
Business description

NiSource is an energy company engaged in natural gas transportation, storage, and distribution, as well as electric generation, transmission, and distribution. NiSource operating companies deliver energy 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. CPPL, an MLP formed to hold ownership in pipeline and storage assets, was successfully IPO'd in February 2015. On July 1, 2015 NI will be split into two publicly traded companies, NiSource & Columbia Pipeline Group.

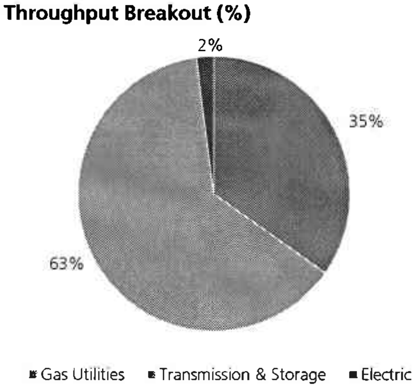
Industry outlook

Growth in the regulated natural gas and electric utility businesses is generated by customer growth and rate increases approved by state regulators. Regulators allow utility companies to earn a rate of return on investments of typically around 9%-11%. Population growth is the primary driver of customer growth and is expected to remain modest at ~0.5%. Modernization programs which encourage utility companies to invest in new infrastructure or replace aging assets and provide a utility company a guaranteed rate of return on the investment capital are a primary driver of industry growth.

2014 Operating Income by segment (%)



2014 Throughput Breakout (%)



Source: Company Reports

Shneur Z. Gershuni, CFA, Analyst, shneur.gershuni@ubs.com, +1-212-713 3974

Investment Thesis

Today NiSource is a gas distribution, electric utility and natural gas pipeline and storage company. On July 1, Columbia Pipeline Group (natural gas pipeline and storage) will be spun-out to shareholders in a tax free transaction. CPG's recently created MLP, Columbia Pipeline Partners (CPPL), will be the equity funding source for $8bn of capital investments planned at CPG over the next several years. We believe investors in NiSource today will benefit from the splitting of the company into two focused businesses that can be better valued against peers while offering above industry growth planned at both entities due to sizable capital investment plans.

NiSource has a ~$30bn utility modernization and organic growth investment plan for the next 20+ years. Approximately 75% of the investment is revenue producing which should drive mid-single-digit earnings and dividend growth. These investments should translate into the rate base growing at an 8% CAGR from $4.4bn to $7bn by 2020. NiSource should continue to benefit from operating in states that have historically allowed NiSource to earn low double-digit returns on investments. NiSource has worked with state regulators to improve the turnaround time of passing the costs of investments to customers through trackers and we expect this trend to continue.

Gas Distribution & Electric Utility rate base should grow at a 8% CAGR to $8bn by 2020

Columbia Pipeline Group's network of pipelines sits in the prolific natural gas producing Marcellus and Utica regions. CPG is in the midst of an extensive capital expansion program that builds on its existing portfolio of strategic assets. CPG is currently in the execution phase on $6bn in growth projects and modernization investment that will be put into service over the next five years, which should enable it to generate high-teens EBITDA growth through 2020. Additional $4/share upside to CPGX could come from the $2.6bn Mountaineer and Gulf XPress projects, which recently completed successful binding open seasons. We estimate that these projects could add ~$430mm to EBITDA by 2019. Another $4bn-$7bn of projects have been identified that could enable CPG to sustain a high-teens EBITDA and dividend growth rate beyond 2020.

Investment: $6bn now, $2.6bn near future, potential for another $4-7bn

While CPPL is trading 13% above its $23 IPO price, we believe mid-twenties distribution growth potential is not fully reflect in current valuation. The MLP will grow through its 15.7% ownership of Columbia Op-Co and by acquiring additional interest in Op-Co to fund growth capex. CPG benefits from the more tax efficient financing of growth investments which will enable it to sell interests to the MLP at favorable multiples. CPG will benefit from mid-twenties distribution growth on the 46.8mm subordinate units it holds in CPPL as well as the IDRs it will receive at the GP. We anticipate that distributions at the MLP will hit the high splits in early 2017, just before DCF growth accelerates as large growth projects come on line in late 2017.

MLP is set to be a "best in Class" distribution grower.

Our sum-of-the-parts valuation derives a $49 price per share, 14% upside to current price. We believe the market has not fully valued the split, MLP, and potential contribution from $2.6bn Mountaineer and Gulf XPress projects. We are initiating coverage with a Buy rating as we believe the shares should trade positively post management providing a detailed outlook for the separated companies and MLP on May 14 and the spin-out of CPG on July, 1, 2015.

We initiate with a Buy rating and $49 price target.

Key Investment Points

Current Valuation Doesn't Fully Value MLP & Platforms for Growth Post Split: On September 29 NiSource announced plans to create a publicly traded MLP for the Columbia Pipeline assets and then subsequently spin-out Columbia Pipeline Group into a separately traded company. Post the spin-out NiSource will retain the natural gas and electric distribution businesses.

The MLP was created to provide a tax efficient way to finance $8.6bn in planned capital spending over the next six years at Columbia Pipeline Group. Columbia Pipeline Partners (CPPL) completed its IPO in early February. The offering was upsized and raised $1.2bn. Proceeds from the IPO were used to reduce debt at NiSource. Since the IPO proceeds were greater than original planned, we anticipate that the starting debt at Columbia Pipeline Group could be at the lower end of the $3bn-$3.5bn range originally anticipated when the spin-out was announced.

The separation of the natural gas and electric distribution business from the transportation and storage business should enable both companies to be more focused and implement growth plans specific to each. Additionally, the dividend growth for each will track more closely to the growth of each business. The two pure-play businesses should trade at multiples more closely tied to comparable peers and their individual growth and risk profiles.

Due to NiSource being split into three companies, we have used a sum-of-the parts valuation method to value NiSource and Columbia Pipeline Group. Based on our sum-of-the-parts valuation, which derives at $49 price target, we believe the market has not fully valued the MLP, spin-out, and the growth plans at both the utility and pipeline companies.

Figure 1: NiSource Sum-of-the-Parts Valuation

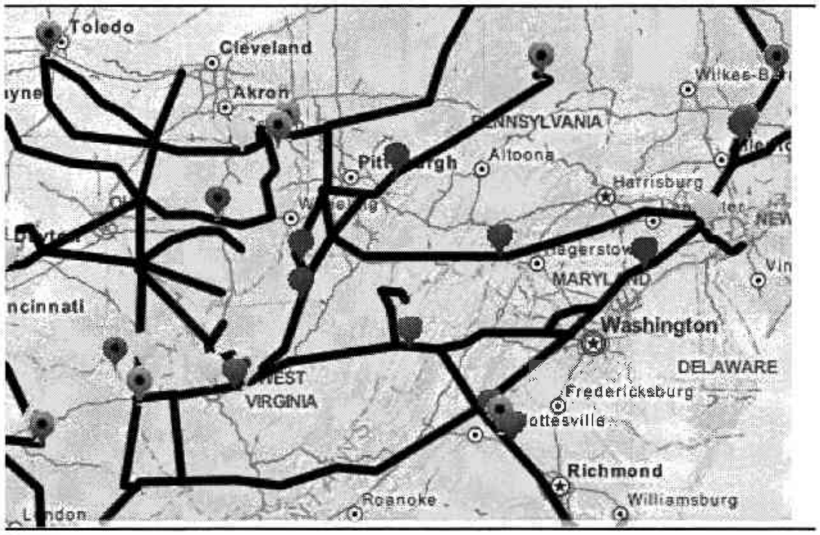
Columbia Pipeline Group			Value
	Units	PT	
CPPL Subordinate Units	46.8	$30.00	$1,404
PV of GP IDRs From CPPL			$3,956
		Columbia Pipeline Partners	$5,360
	2015 EBITDA		'15-'25 DCF
PV of DCF from Columbia Op-Co	$593		$7,910
		Total	$13,270
		Less Net Debt	-$3,466
		Total Equity	$9,805
		Shares Outstanding	317.8
		Columbia Pipeline Group Value Per Share (12-months)	$31.00
		Sum-of-the-Parts Valuation Per Share	$49.00

NiSource Natural Gas Distribution and Electric Utility			Value
Natural Gas Utilities	$751	9x	$ 6,761
Electric Utilities	510	9x	$4,588
		Total	$ 11,349
		Less Net Debt	$ (5,688)
		Total Equity	$ 5,661
		Shares Outstanding	317.8
		NiSource Utility Value Per Share (12-months)	$18.00

Source: UBSe, Company Reports

Pipeline Assets Strategically Located: NiSource's Columbia Gas Transmission pipeline and storage assets are strategically located in the growing Marcellus and Utica Shale plays. NiSource currently has $6bn of projects in execution stages focused on expanding pipeline capacity to move natural gas out of the region. It should benefit from the ability of being part of the solution for the bottlenecks in this area where produces are producing more than can be efficiently moved out.

Figure 2: Columbia Transmission Pipeline in Utica and Marcellus Regions

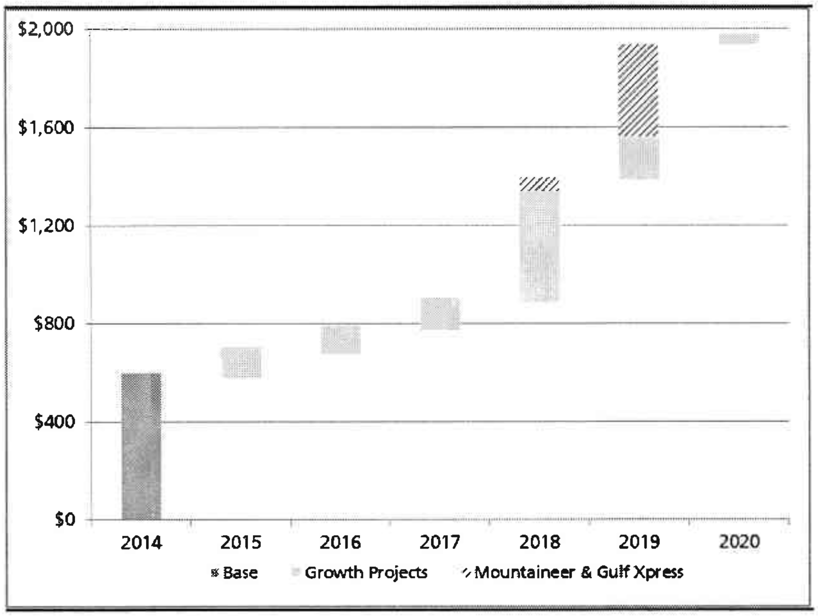


Source: Company Reports

Over $30 billion modernization investments over the next 20+ years: NI is implementing infrastructure replacement programs for both its gas utilities and electric utilities that should drive visible, low-risk annual growth in these segments. The gas distribution business has committed to spending between $460-$605mm annually over the next 20+ years for a total investment of ~$20bn. The modernization program commitment for NIPSCO gas is $175-$500mm over the next 20 years. We anticipate that NiSource will earn ~10% return on equity on these investments.

Pipeline Projects Underway: NiSource currently has ~$8.6bn in growth and modernization projects in the transportation and storage and midstream businesses that are under various stages of development, including the $2.6bn Mountaineer and Gulf Xpress projects that recently finished binding open seasons and received enough interest to move forward. These projects will expand Columbia Pipeline's network of well positioned transportation and storage assets around the Marcellus and Utica basins.

Figure 3: CPG EBITDA Growth from Growth Investment (in $mm)



Source: UBSe, Company Reports

Current Projects: In 4Q14 the $200mm **West Side Expansion** project went into service. It reverses the flow on a portion of the Columbia Gulf system allowing 540 MMcf/day of shale gas to flow south from the Northeast towards the Gulf of Mexico. The East Side Expansion is expected to come on line in 3Q15 and will add ~312MMcf/D of capacity to the Columbia Transmission pipeline and will move gas from the Northeast Marcellus to Mid-Atlantic markets.

Project	Date In Service	Cost	Status
Millenium	1Q14	$20	Completed
Warren County	2Q14	$35	
West Side	4Q14	$200	
Giles County	4Q14	$25	
Line 1570	4Q14	$20	
Chesapeake LNG	2015	$35	Construction
East Side	3Q15	$275	
AEP Big Sandy	2Q16	$25	
Utica Access	4Q16	$50	
Leach XPress	4Q17	$1,420	
Rayne XPress	4Q17	$330	
Cameron Access	1Q18	$310	
WB Expansion	4Q18	$875	
Mountaineer & Gulf XPress	1Q19	$2,600	Completed Binding Open Season

Leach and Rayner Xpress projects add ~160 miles of new pipeline and additional compression to the Columbia Gas pipeline system. The Leach project will move 1.5Bcf/D of Marcellus and Utica gas west to NiSource facilities. Approximately a third of the gas will be consumed on the Columbia Gas system. The Rayner Xpress project will connect with the Columbia Gulf system to move the remaining (~1.0Bcf/D) south to markets off of the Columbia Gulf pipeline. These projects combined are expected to cost ~1.8bn and are planned to be on line in 4Q17.

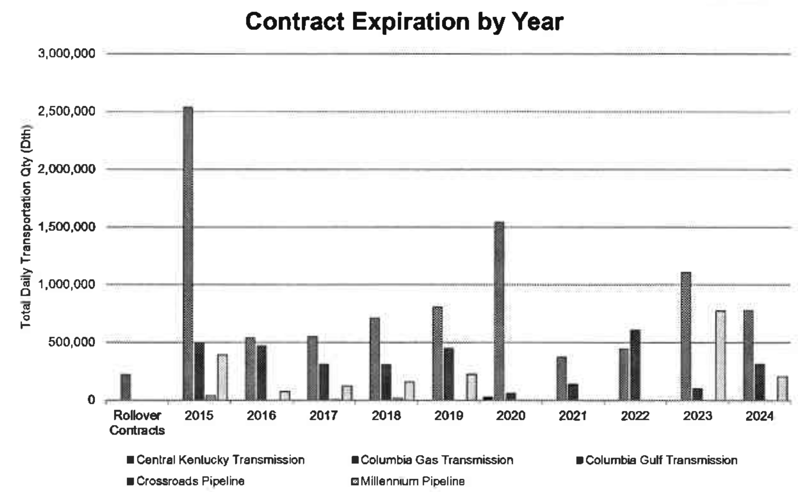
The **Cameron Access Project** upgrades the existing Columbia Gulf system in Southern Louisiana and adds a new pipeline connecting the Gulf system with the planned Cameron LNG export facility and connects numerous shale basins to the LNG export facility. The Cameron Access is expected to cost $310MM and be in service in 1Q18.

Potential Take-out Candidates: NiSource has been considered a potential take-over candidate due to the location of its assets, particularly the pipeline and storage assets in the Marcellus and Utica Shale regions. Large utility companies such as Dominion Resources or Duke Energy could be interested in acquiring NiSource for its transportation assets as well as its gas and electric utility businesses. Once distribution and Columbia Pipeline Group are separate, they could become more attractive candidates due to their size, location, and more focused businesses.

Investment Risks

Pipeline re-contracting risk: Nearly 50% of the capacity under long-term contracts at CPG comes up for renewal over the next five years. The largest contract renewal year is 2015, with 23% of Columbia Gas Transmission, 20% of Millennium Pipeline, and 14% of Columbia Gulf Transmission contracted capacity due to be renewed during the year. There is a risk that with natural gas prices still low and spreads still narrow, contracts will be renegotiated at lower rates.

Figure 4: Potential Re-contracting Risk



Source: SNL

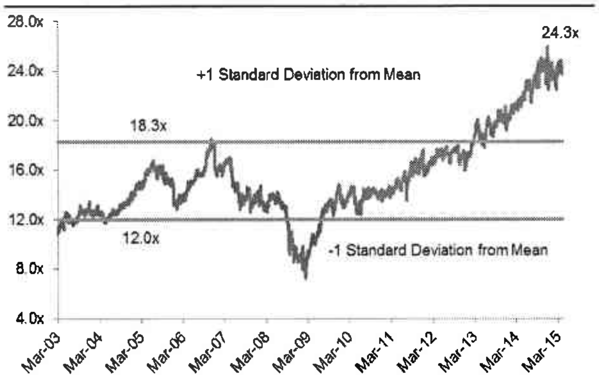
Potential for less favorable rate cases outcomes: NI's natural gas and electric regulated utilities currently account for 64% of the company's operating income. The majority of NiSource's net revenues are subject to government regulation at the federal or state level. NiSource is currently operating in states that have historically allowed it to earn a reasonable rate of return on its services and capital investments. Growth could be adversely impacted by changes in the political environment in these states that result in unfavorable rate case decisions and reductions in allowable returns on modernization programs and trackers.

Sensitivity to the economy and new EPA regulations: NiSource's operations can be impacted by the economy. Particularly, sales to large industrial customers can be negatively impacted by economic downturns. Although industrial customers represent a small percent of NIPSCO's customer base, these customers account for roughly half of the throughput. A prolonged economic slowdown could negatively impact NIPSCO earnings.

EPA regulations are also a risk because NiSource relies on coal for 78% of its electricity generation. Plants could be forced to shut down as a result of new EPA rules regulating coal burning and air pollution. One or more of NIPSCO's 3 coal fired plants could be at risk of closing, resulting in NiSource having to purchase more electricity versus being able to generate its own near-term. Longer-term it could be an investment opportunity as NiSource is reimbursed for the costs to shut down coal plants and earns a return on the investment to build gas plants under a tracking mechanism if the EPA or Federal Government mandated the closing of coal-fired plants.

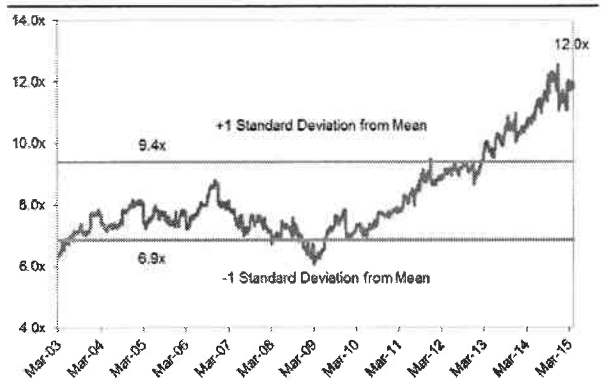
Shares are trading well above historical averages: NiSource is trading well above its historical average P/E and EBITDA multiples. In addition to trading at historically high P/E and EV/EBITDA multiples, NI is also trading at a historically low dividend yield (figure 7). Relative to utility peers, NI is trading at a premium. There is a risk that NiSource shares revert to historical average multiples; however we would note that NiSource is scheduled to grow faster than peers and valuation reflects the cost of capital benefit related to CPPL.

Figure 5: Historic P/E Chart



Source: FactSet

Figure 6: Historic EV/EBITDA Chart

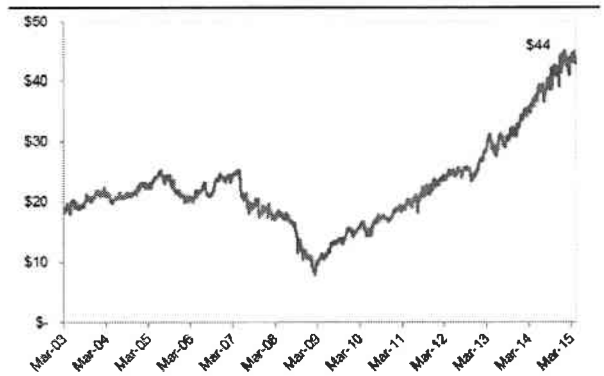


Source: FactSet

Figure 7: Historic Dividend Yield

Source: FactSet

Figure 8: Historical Share Price



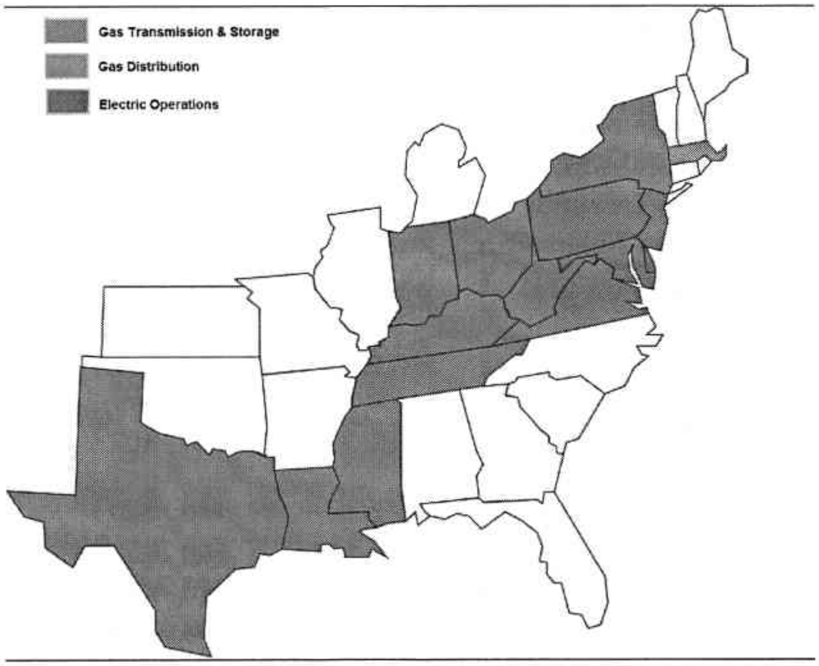
Source: FactSet

Company Overview

Company Profile

NiSource is an energy company that provides natural gas, electricity and other products and services to roughly 3.8MM customers located from the Gulf Coast through the Midwest to New England (see Figure 9). NiSource is one of the largest natural gas distribution companies in the U.S. when measured by its customer base. NiSource's currently reports its financial results in three segments: Gas Distribution, Gas Transmission & Storage, and Electric Operations. Gas Distribution provides natural gas distribution to residential, commercial and industrial customers in seven states including Massachusetts, Pennsylvania, Ohio, Indiana, Maryland, Virginia and Kentucky. Gas Transmission & Storage transports and stores natural gas for industrial/commercial customers and LDC's in the Northeast, Mid-Atlantic, Midwest, and South. Electric Operations provides electric service in Northern Indiana.

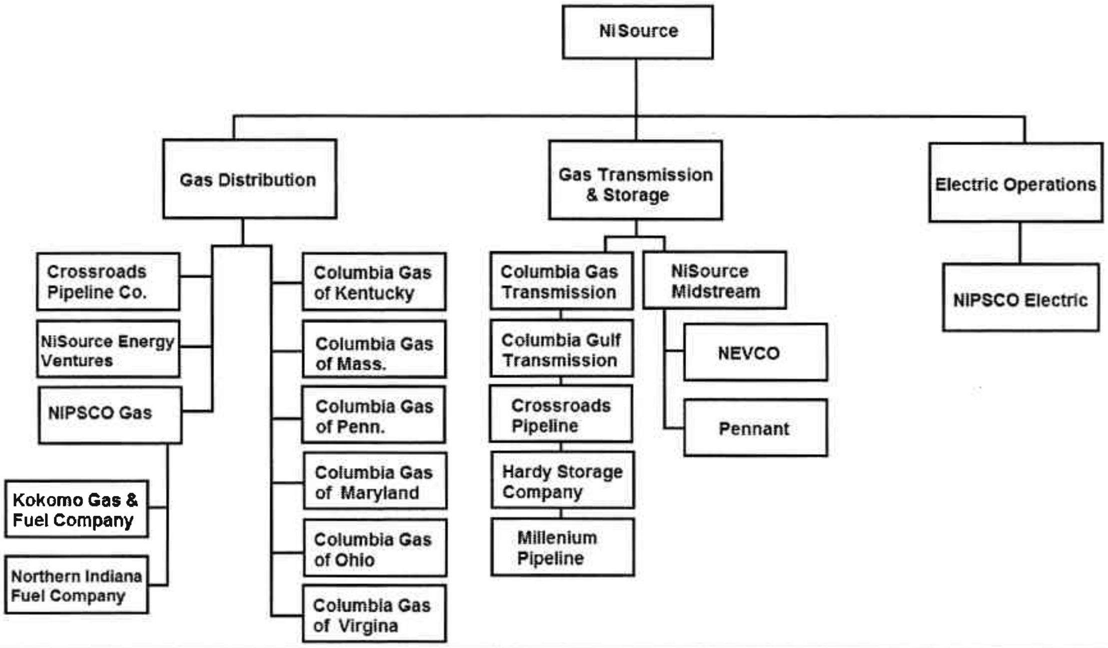
Figure 9: NiSource Service Area



Source: UBS, Company Website

Figure 10 shows NiSource's current organizational structure broken into the three business segments.

Figure 10: Current Corporate Structure

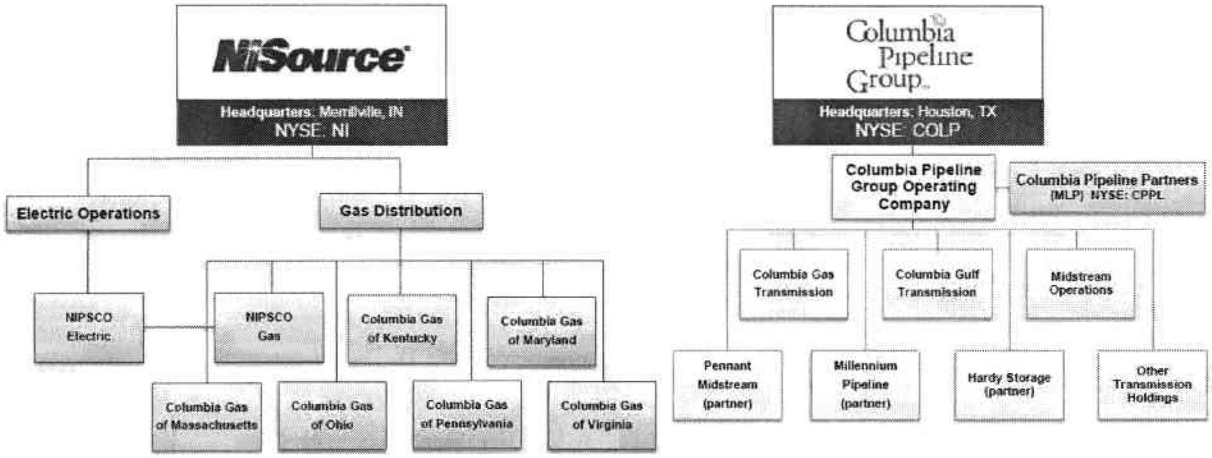


Source: Company Presentations, UBS

In September 2014, NiSource's Board of Directors approved the spinoff of its natural gas pipeline and related businesses into Columbia Pipeline Group (CPG). Additionally, on September 29th 2014, NiSource filed an S-1 to form a MLP, Columbia Pipeline Partners (NYSE: CPPL), which was completed in early February. The IPO was upsized and raised $1.2bn. The proceeds were used to reduce debt at NiSource. The MLP currently owns an interest in the Columbia Pipeline Group assets through its ownership 15.7% ownership of Columbia Op-Co (the entity that holds the transportation and storage operations). CPPL will be used as a funding source for growth projects at Op-Co and its ownership in Op-Co will grow as it raises equity and uses the proceeds to buy additional interests in Op-Co.

The separation of NiSource and Columbia Pipeline Group is expected to be completed on July 1, 2015. Before the separation occurs, NiSource plans to reduce its net debt by approximately $3Bn. Columbia Pipeline Group will issue its own debt to pay a one-time cash distribution to NiSource. Following the debt recapitalization, NiSource will complete a tax free spin-out of Columbia Pipeline Group to NiSource shareholders. NiSource shareholders will receive a pro-rata dividend of Columbia Pipeline Group shares, which will trade under the ticker CPGX. Post the spin-out, NI and CPGX will pay a combined dividend equal to the current dividend on a pro-rata basis. Going forward, the dividend for NiSource is expected to be based on a comparable pay-out ratio to its peers and the dividend for Columbia Pipeline Group is expected to grow with its earnings and cash flow growth. Figure 11 below provides an overview of the organizational structure post the spin-out.

Figure 11: Planned Corporate Structure Post Spin-out



Source: Company Presentations

Consolidated Valuation Analysis

Currently NiSource is both a gas and electric utility and a natural gas pipeline and storage company. We value NiSource on a sum-of-the-parts basis. In our valuation we value the MLP based on our price target for LP shares and NiSource's ownership of 46.8mm subordinate unites. We add the present value of the anticipated IDRS. We then added the present value of the anticipated discounted cash flows from CPG's ownership in Columbia Op-Co. We value the remaining gas distribution and electric utility businesses based on comparable company multiples and assume a take-out premium in the multiple. Our sum-of-the-parts valuation derives a $49 price target.

Figure 12: NiSource Sum-of-the-Parts Valuation

Consolidated NiSource SUM-OF-THE-PARTS			
Columbia Pipeline Group			**Value**
Columbia Pipeline Partners	Units	PT	
CPPL Subordinate Units	46.8	$30.00	$1,404
PV of GP IDRs From CPPL			$3,956
		Columbia Pipeline Partners	**$5,360**
	2015 EBITDA		'15-'25 DCF
PV of DCF from Columbia Op-Co	$593		$7,910
		Total	$13,270
		Less Net Debt	-$3,466
		Total Equity	$9,805
		Shares Outstanding	317.8
		Columbia Pipeline Group Value Per Share (12-months)	**$31.00**
NiSource Natural Gas Distribution and Electric Utility			**Value**
Natural Gas Utilities	$751	9x	$ 6,761
Electric Utilities	510	9x	$4,588
		Total	$ 11,349
		Less Net Debt	$ (5,688)
		Total Equity	$ 5,661
		Shares Outstanding	317.8
		Gas Distribution & Electric Utility Value Per Share (12-months)	**$18.00**
		Sum-of-the-Parts Valuation Per Share	**$49.00**

Source: UBSe

Financials

Stable earnings growth: As a result of NiSource's distribution and earnings coming from regulated businesses that receive a regulated return on investment through rate cases, modernization plans and trackers that cover several years, we expect the growth in these businesses to be at a fairly constant rate over the next five years. Growth at the pipeline and storage business will accelerate in 2018 when the largest projects (Rayne and Leach) that are currently in execution come on line. Growth will remain accelerated into 2019 if the $2.6bn Mountaineer and Gulf XPress projects are completed.

Figure 13: Operating Income Projections & Capital Expenditures

Operating Income	2013	2014	2015E	2016E	2017E	2018E	2019E
Gas Utilities	$445	$537	$528	$568	$611	$653	$693
% Chg Y/Y		21%	-2%	8%	8%	7%	6%
Transmission & Storage	$441	$491	$579	$631	$713	$1,120	$1,262
% Chg Y/Y		11%	18%	9%	13%	57%	13%
Electric Utilities	$266	$283	$273	$295	$319	$343	$372
% Chg Y/Y		6%	-3%	8%	8%	8%	8%
Corporate	-$9	-$45	-$67	-$93	-$139	-$179	-$213
% Chg Y/Y		410%	47%	39%	50%	28%	19%
Total Operating Income	$1,143	$1,265	$1,314	$1,401	$1,503	$1,937	$2,114
% Chg Y/Y		11%	4%	7%	7%	29%	9%
EBITDA	$1,721	$1,871	$1,970	$2,146	$2,341	$2,870	$3,131
% Chg Y/Y		9%	5%	9%	9%	23%	9%
EPS	$1.57	$1.62	$1.77	$1.83	$1.92	$2.66	$2.97
% Chg Y/Y		4%	9%	4%	5%	39%	12%

Capital Investment	2014
Gas Utilities	$860
Transmission & Storage	$844
Electric Utilities	$439
Corporate	$41
Overall	$2,184

Source: UBSe, Company Reports

Investment Grade Rating: Investment grade rating: In January 2014, Moody's Investors Service upgraded the senior unsecured rating for NiSource to investment grade rating Baa2 from Baa3 and NiSource's commercial paper rating to P-2 from P-3. Moody's outlook for NiSource and all of its subsidiaries is stable. Moody's rating is now two notches above a non-investment grade rating. NiSource needs to maintain its investment grade rating as an LDC and this will play a role in how fast and how many assets get dropped into its potential MLP in the upcoming quarters.

Columbia Pipeline Group (Ticker CPGX)

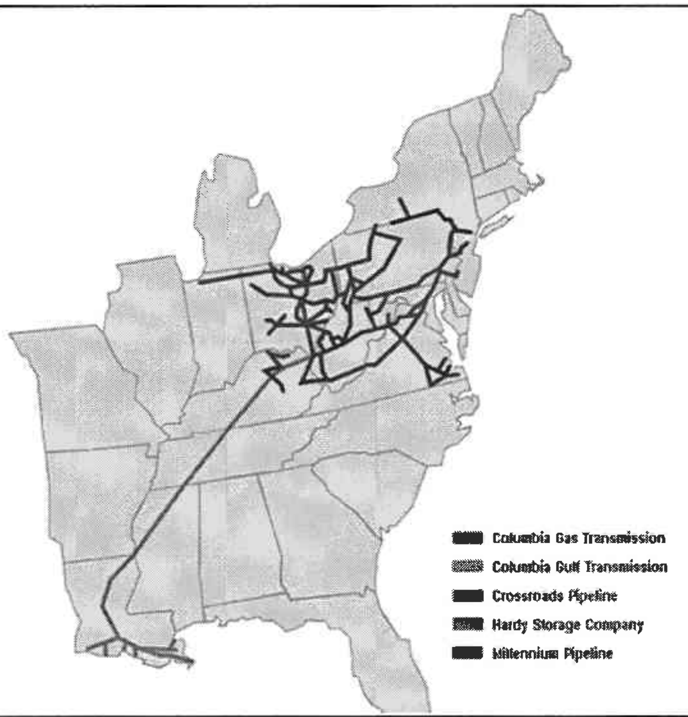
NiSource's Gas Transmission & Storage segment is planned to be spun-out from NiSource on July 1, 2015 into a publicly traded entity called Columbia Pipeline Group or "CPG" that will trade under the ticker CPGX.

Overview of Assets: Columbia Pipeline Group owns and operates over 15,000 miles of interstate pipelines and one of the largest underground natural gas storage systems in the U.S. with approximately 300 MMDth of working gas capacity. The two main pipeline systems are Columbia Gas Transmission and Columbia Gulf. Both are FERC regulated interstate natural gas pipelines. The

Columbia Gas Transmission system is 11,295 miles long with 10 MMDth/d of capacity and moves natural gas from the Marcellus and Utica shale production east to New York, west into Indiana and Kentucky and south into North Carolina. In addition to the pipeline transportation network, Columbia Gas Transmission also has approximately 622 MMDth of gas storage capacity in 819,000 acres of underground storage and 3,436 storage units in four states.

Columbia Gulf is a 3,341 mile pipeline system that interconnects with almost every significant pipeline in the Gulf Coast and starts in Louisiana and runs up through Kentucky. One of the three pipelines in now bi-directional and there are plans to make the remaining two bi-directional as well. Additionally, there is an expansion plan to connect to the Cameron LNG export facility currently under construction in Hackberry, Louisiana.

Figure 14: Columbia Pipeline Group Asset Map



Source: Company Website

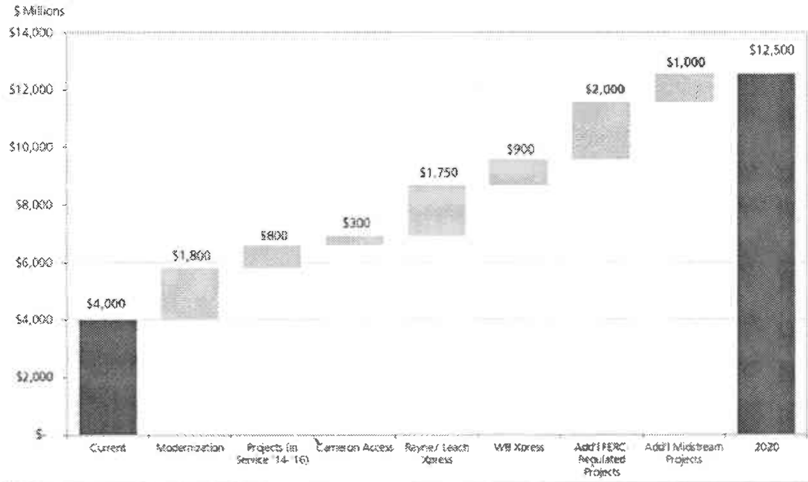
Columbia Pipeline Group also participates in **several JVs**, including Millennium and Hardy Storage. Columbia Pipeline Group owns a 47.5% interest in the **Millennium Pipeline JV.** Millennium is a 253 mile pipeline that runs across the southern part of New York State and the lower-Hudson Valley. It transports on average 1 MMDth/d of Marcellus natural gas to markets along its route, including New York City through pipeline interconnections. DTE Energy and National Grid also hold ownership interests in Millennium. **Hardy Storage** consists of underground natural gas storage facilities in West Virginia and has a working storage capacity of 12 Bcf and the ability to deliver 176,000 Dth of natural gas per day. Columbia Pipeline Group owns 49% of Hardy Storage with Piedmont Natural Gas Company owning 50% and Columbia Energy Group (CEG) owning 1%.

Columbia Midstream provides gathering, treating, processing and other services to natural gas producers in the Marcellus and Utica basins. Columbia Midstream owns 103 mile of pipelines and a compressor station. Additionally, it owns a 50% interest in Pennant Midstream, which owns 80 miles of natural gas gathering pipeline and a NGL pipeline as well as a cryogenic processing plant and NGL pipeline.

CEVCO is the **unregulated business** that manages mineral rights in the Marcellus and Utica regions. CEVCO has entered into multiple transactions to develop its minerals positions, including a JV with a producer that formed an area of mutual interest. CEVCO combined its production rights in a region in northeast Ohio with the producer's much larger acreage position in the same area. As a result CEVCO participates in the development of the combined acreage position through non-operating and royalty interests. CEVCO has also retained the right to participate in up to a 12.5% interest in any unit that it has subleased to a producer. CEVCO plans to continue to participate in additional drilling opportunities going forward.

Growth Opportunities: With the numerous investment opportunities at CPG, management expects the rate base to grow from the ~$4Bn at the beginning of 2014, to ~$12.5Bn by 2020, representing a 17.7% CAGR.

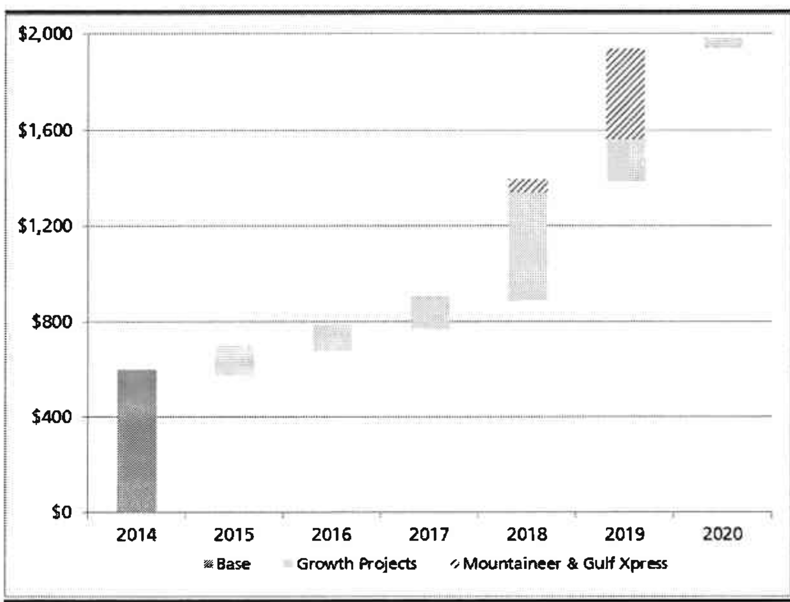
Figure 15: Expected CPG Net Investments Growth Through 2020



Source: UBS, company presentations

Figure 16 below shows the estimated EBITDA contribution from the growth projects under execution at Columbia Pipeline Group. We note that the Mountaineer and Gulf Xpress projects could add an incremental $54mm to EBITDA in 2018 and $379mm in 2019 if they constructed. Successful open binding seasons were recently held and enough interest was secured to move forward with both projects.

Figure 16: EBITDA Contribution from Growth Investment ($mm)



Source: UBSe, Company Reports

Noteworthy Rate Developments & Modernization Programs: In early 2014, Columbia Transmission received FERC approval of its December 2013 filing to recover costs associated with the first year of its comprehensive system modernization program. During 2013, Columbia Transmission completed more than 30 individual projects representing a total investment of ~$300MM. The program includes replacement of aging pipeline and compressor facilities, enhancements to system inspection capabilities, and improvements in analytics and control systems. Recovery of the 2013 investments began in February 2014. The second year of the program includes $300MM of additional modernization investments. CPG expects to invest approximately $1.5B over a five-year period to improve system integrity and enhance service reliability and flexibility. The agreement with customers includes an initial five-year term with the potential for it to be extended. Management views this modernization program as a $4-$5B opportunity. In addition to the modernization program, the segment has identified $3-$4B of growth projects.

Major Projects in Development

East Side & West Side Expansions Project: The Columbia Pipeline Group segment is investing ~$275MM in developing its East Side Expansion project, which will provide access for Marcellus supplies to the Northeastern and Mid-Atlantic markets. The project is expected to be in service 3Q15. Additionally, NiSource just completed investing ~$200MM in new pipeline and compression to increase supply from the Smithfield and Waynesburg areas on the Columbia Transmission system and to provide backhaul transportation to Gulf Coast markets (the West Side Expansion) making this section of pipeline fully bidirectional. This fully subscribed project came on line ahead of schedule in early 4Q14 and on budget.

Marcellus & Utica Projects: Leach XPress, Rayne Xpress: On August 12th 2014, NiSource announced the Leach and Rayne projects that will transport 2.5 MDth/d of natural gas from the Marcellus and Utica production areas to several markets. Combined these projects are expected to cost $1.7bn and are expected to be in service in 4Q17. The first of these projects is the Leach XPress project, which is a proposed Ohio/West Virginia pipeline to increase the capacity of Columbia Transmission's system by 1.5 MMDth/d. The second project, Rayne XPress, will provide an incremental 1.0 Bcf/D or more of capacity for shippers to transport Appalachian production on the Columbia Gulf pipeline by adding compression to increase capacity. Both projects are supported by long-term firm contracts.

WB Xpress: The WB Xpress project is expected to provide expanded Marcellus supply to markets on Columbia Gas east towards Loudoun and west towards Leach. The project will add an additional 1.3Bcf/D to throughput and will cost ~$870MM and has a targeted in service date of 4Q18.

Cameron Access Project

The Columbia Pipeline Group has entered into binding agreements for the construction of new pipeline facilities along the Columbia Gulf system to connect with the Cameron LNG Terminal in Louisiana. The ~$300MM project, known as Cameron Access, will transport natural gas from several basins to the LNG export facility. It received DOE approval in late 2013, and is expected to be in service by 1Q18.

Figure 17: Overview of Columbia Pipeline Projects

Current Growth Projects ~$6.3 Billion			
Project	Capital ($MM)	Description	In-Service
IN SERVICE PROJECTS			
Millennium	$45	Delivers Marcellus gas to various markets with expanded compression at Minisink (+150 MDth/D) & Handcock (+175 MDth/Day)	1Q14
Warren County	$35	Expanded service to Virginia Power's new 1,300 MW gas generation plant (250 MDth/D)	2Q14
West Side Expansion	$200	Transport of Marcellus supply to the Gulf Coast & Southeast Markets (~540 MDth/D)	4Q14
Giles County	$40	Pipeline extension to serve coal-to-natural gas boiler conversion (46 MDth/D)	4Q14
Line 1570 Upgrade	$20	Increased Marcellus takeaway capacity (100 MDth/D)	4Q14
IN EXECUTION PROJECTS			
Chesapeake LNG	$30	Multi staged 3 yr project that replaces existing LNG peak shaving facilities (120 MDth/D)	2Q15
East Side Expansion	$275	Connecting northern Marcellus supply to Northeast & Mid-Atlantic Markets (315 MDth/D)	3Q15
Kentucky Power Project	$25	Expansion project to serve gas-fired power plan in Kentucky (~70MDth/D)	2Q16
Utica Access Project	$50	Greenfield Pipe to transport growing supply into existing Columbia Gas lines (205 MDth/D)	4Q16
Millennium Lateral	$20	Lateral extension into gas-fired power plant	2H17
Leach XPress	$1,420	Facilitating transportation of Marcellus & Utica production to markets on Columbia Gas (1.5 MMDth/D)	4Q17
Rayne XPress	$330	Transportation of Marcellus & Utica production to markets on Columbia Gulf 1 Bcf/D of Southbound capacity	4Q17
Cameron Access Project	$310	Transporting supplies into Cameron's LNG facility via new pipes & compression (800MDth/D)	1Q18
WB XPress	$850	Marcellus expansion providing supply access to markets on Columbia Gas east towards Loundon & west towards Leach (~1.3 Bcf/D)	4Q18
IN DEVELOPMENT			
Mountaineer & Gulf Xpress	$2,600	Move incremental capacity from OH, PA, WV to TCO pool and Leach (~2.7 Bcf/Day)	4Q18

Modernization Opportunity - $4-$5 Billion			
Project	Capital ($MM)	Description	In-Service
Columbia Gas Modernization	$1,200	FERC approved (2013) - 5 yr. agreement (potential extension provisions) pipeline	2014 - 2017

Midstream Opportunity - ~$1.3 Billion			
Project	Capital ($MM)	Description	In-Service
Big Pine	$165	60 miles of Marcellus pipeline with multiple interstate connections (425 MMcf/D)	2Q13
Pennant G&P Hickory Bend	$165	45 miles of Utica pipeline (500 MMcf/D) and an NGL processing facility (200 MMcf/D)	4Q13 & 2Q14
Pennant NGL Pipeline	$30	Utica pipeline to transport NGLs from the Hickory Bend processing facility to Kensington	3Q14
Big Pine Expansion	$65	A 9 mile lateral to the Bluestone Processing Plant & compression on Big Pipe (175MMcf/D)	2Q15
Washington County Gathering	$120	Marcellus greenfield gathering system in Washington County, PA to gather wellhead production	2015-2018
Pennant Phase II	$250	Utica gathering system extension and additional processing facilities	2015-2018
Appalachia G&P	$500	15+ gathering and processing projects in this region	2016-2018

Source: UBS, Company Presentations

Columbia Pipeline Group Valuation

We value Columbia Pipeline Group using a sum-of-the-parts method. We have calculated the present value of the distributable cash flow we anticipate CPG will receive from its ownership in Columbia Op-Co, the entity that holds the transportation and storage assets. We added the value of the MLP by valuing the common units using our derived price target for CPPL and the IDRs by calculating the net present value of the expected IDR cash stream. Our sum-of-the-parts values CPG at $31 per share.

Figure 18: Columbia Pipeline Group Sum-Of-The-Parts

Columbia Pipeline Group			
Operational Unit	**2015E EBITDA**		**Value**
PV of DCF from Columbia Op-Co	$593		$7,910
MLP Interests	**Units**	**PT**	**Value**
CPPL Subordinate Units	46.8	$30.00	$1,404
PV of GP IDRs From CPPL			$3,956
		Total	$13,270
		Less Net Debt	-$3,466
		Total Equity	$9,805
		Shares Outstanding	317.8
		Value Per Share (12-months)	**$31.00**

Source: UBSe

Figure 19 below compares the valuation of CPG group to other midstream MLP GPs. We note that there is a wide range in the valuation multiples due to some of the GPs being holding companies and others also operating assets. We expect CPG to evolve to being a GP holding company over time as its ownership in Columbia Op-Co is diluted.

Figure 19: Comparable Companies

Company	Price 5/8/2015	Market Cap ($MM)	Enterprise Value	Annual Dividend	Dividend Yield	P/E 2015	P/E 2016	EV/EBITDA 2015	EV/EBITDA 2016	P/DCF 2015	P/DCF 2016
General Partners											
Crestwood Equity	$5.55	$1,040	$3,450	$0.55	9.9%	18.2x	15.6x	6.2x	5.8x	10.5x	8.1x
Energy Transfer Equity	$67.04	$36,119	$91,458	$1.50	2.2%	25.8x	20.4x	15.6x	17.5x	29.3x	22.7x
Kinder Morgan	$42.66	$91,915	$136,531	$1.74	4.1%	51.2x	43.4x	18.1x	16.8x	18.8x	16.3x
NuStar GP Holdings	$37.78	$1,621	$1,644	$2.18	5.8%	21.7x	19.9x	21.2x	20.3x	17.2x	15.7x
ONEOK	$43.92	$9,169	$21,154	$2.13	4.8%	28.4x	23.7x	13.5x	11.6x	14.4x	15.8x
Plains GP Holdings	$28.91	$6,099	$36,697	$0.75	2.6%	47.2x	39.6x	17.5x	15.2x	29.2x	23.9x
SemGroup	$84.09	$3,692	$4,722	$1.03	1.2%	44.0x	43.0x	13.7x	11.7x	11.9x	10.1x
Spectra Energy Corp	$36.09	$24,228	$37,725	$1.38	3.8%	30.6x	26.4x	13.4x	12.1x	18.0x	19.2x
Targa Resources	$101.90	$5,707	$5,375	$2.68	2.6%	39.4x	31.8x	4.9x	4.2x	27.1x	20.9x
Williams Cos	$49.70	$37,223	$70,895	$1.96	3.9%	58.3x	39.7x	16.9x	15.7x	19.8x	18.4x
Columbia Pipeline Group	$31.00	$9,843	$13,309	$0.46	1.5%	30.9x	35.1x	19.3x	18.4x	17.9x	17.0x
General Partner Average		$21,681	$40,965	$1.59	4.1%	36.5x	30.4x	14.1x	13.1x	19.6x	17.1x

Source: UBSe, FactSet

Financials

Stable earnings growth: Columbia Pipeline Group's earnings come from regulated pipelines that have long-term take-or-pay contracts with LDCs, producers, marketers, electric generators and other large end users. CPG expects to grow its current rate base of $4bn to ~12.5bn+ by 2020 driven by rate growth, modernization programs, cost trackers and expansion projects. Figure 20 provides our forecasted income statement for the standalone CPG.

Figure 20: Columbia Pipeline Company Forecasted Income Statement

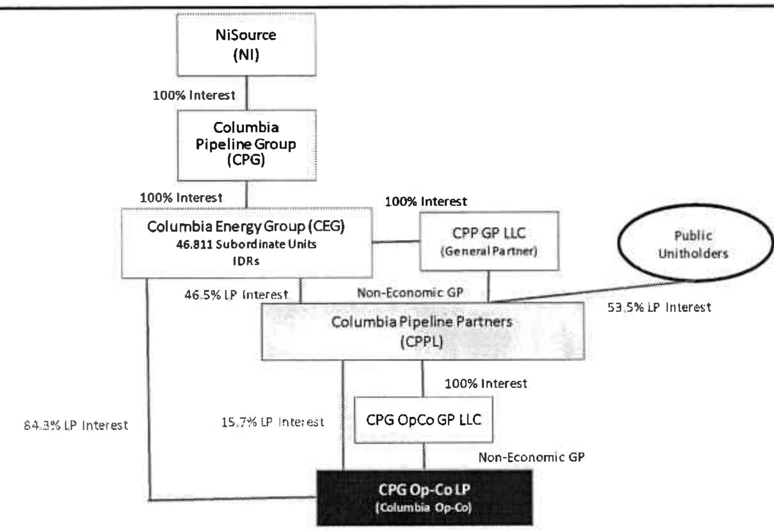
Columbia Pipeline Group	2014E	2015E	2016E	2017E	2018E	2019E
Revenues	$ 1,347.2	$ 1,449.3	$ 1,568.1	$ 1,695.9	$ 2,123.0	$ 2,317.5
(Cost of Sales)	$ (0.3)	$ (0.3)	$ (0.4)	$ (0.4)	$ (0.5)	$ (0.5)
Net Revenue	$ 1,346.9	$ 1,449.0	$ 1,567.8	$ 1,695.5	$ 2,122.5	$ 2,317.0
(Operating & Maintenance Expenses)	$ (751.6)	$ (745.5)	$ (760.4)	$ (779.4)	$ (802.8)	$ (826.8)
(Depreciation & Amortization)	$ (118.6)	$ (135.7)	$ (168.4)	$ (204.2)	$ (240.8)	$ (267.3)
(Gain)/Loss on Sale of Assets	$ 34.5	$ 20.9	$ -	$ -	$ -	$ -
(Other Taxes)	$ (67.1)	$ (70.1)	$ (70.8)	$ (72.2)	$ (73.7)	$ (75.2)
Equity Earnings in Unconsolidated Affiliates	$ 46.6	$ 63.1	$ 68.1	$ 78.1	$ 119.6	$ 119.6
New Entity Expenses		$ (9.0)	$ (18.0)	$ (18.0)	$ (18.0)	$ (18.0)
Operating Income	**$ 490.7**	**$ 572.7**	**$ 618.3**	**$ 699.8**	**$ 1,106.9**	**$ 1,249.3**
	16.1%	**16.7%**	**8.0%**	**13.2%**	**58.2%**	**12.9%**
EBITDA	**$ 609.3**	**$ 708.4**	**$ 786.7**	**$ 904.0**	**$ 1,347.7**	**$ 1,516.6**
Y/Y Growth	*15.0%*	*16.3%*	*11.1%*	*14.9%*	*49.1%*	*12.5%*
Interest Expense	$ (62.0)	$ (99.2)	$ (160.4)	$ (186.9)	$ (214.0)	$ (241.6)
Other Net	$ 8.8	$ 8.8	$ 8.8	$ 8.8	$ 8.8	$ 8.8
Pretax Income	$ 437.5	$ 482.3	$ 466.7	$ 521.8	$ 901.6	$ 1,016.4
(Provision)/Benefit for Income Taxes	$ (166.4)	$ (123.7)	$ (93.3)	$ (104.4)	$ (180.3)	$ (203.3)
Effective Tax Rate	*38%*	*26%*	*20%*	*20%*	*20%*	*20%*
Less Noncontrolling Interest		$ (39.5)	$ (93.1)	$ (149.4)	$ (400.3)	$ (505.2)
Net Income	$ 271.1	$ 319.0	$ 280.3	$ 268.1	$ 321.1	$ 307.9
		17.7%	-12.1%	-4.4%	19.8%	-4.1%
Recurring Diluted EPS	**$0.86**	**$1.02**	**$0.89**	**$0.85**	**$1.02**	**$0.98**
EPS Growth		*18%*	*-12%*	*-4%*	*20%*	*-4%*
Average # of diluted shares outstanding	313.6	313.6	313.6	313.6	313.6	313.6
Dividends per Share		$0.23	$0.50	$0.59	$0.70	$0.82
Payout Ratio	0%	23%	56%	69%	68%	83%

Source: UBSe

MLP: Columbia Pipeline Partners (CPPL)

NiSource held a successful IPO for its new MLP, Columbia Pipeline Partners in early February 2015. The MLP will become a funding source for Columbia Pipeline Group to finance capital spending projects at the Op-Co and will eliminate the need to raise equity at Columbia Pipeline Group. Figure 21 provides an overview of the ownership structure of the MLP. Within Columbia Pipeline Group is Columbia Energy Group which owns the GP of CPPL and the IDRs. CEG is the entity that shares ownership of Columbia Op-Co, which is where the operating assets are held.

Figure 21: Overview of MLP Ownership Structure



Source: UBS, Company Reports

CPPL was started with a 15.7% ownership interest in Columbia Op-Co. Based on CPG's 2014 EBITDA of $599mm, we estimate that starting EBITDA at the MLP is $90 after ~$5mm in G&A expenses related to being a publicly traded company. The MLP will be a key source of financing for the $8.6bn in growth projects and modernization program at CPG. The MLP will issue equity and use the proceeds to acquire additional interests in Columbia Op-Co. The MLP will be the equity source for an estimated 50% of the capital spending. Columbia Pipeline Group will provide the debt financing through an intercompany loan to Op-co.

Figure 22 provides an overview of formation of the MLP. NiSource issued 53.8mm LP units to the public priced at $23 a unit for a 2.9% yield. Columbia Energy Group holds 100% of the 46.8mm subordinate units or 46% of the LP units and 100% of the IDRs. We note that the GP ownership is a non-economic interest, and therefore, it will only collect IDRs and not distribution on the 2% GP interest.

Figure 22: Overview of CPPL IPO

Starting IPO Estimate	
Columbia Pipeline EBITDA	$599
MLP % Ownership in Columbia Pip	15.7%
Starting EBITDA	$94
Less Public Co Expenses	$5
Less Maintenance CapEx	-$23
Estimated DCF	$76
Multiple of Start	13.2x
IPO Assumptions	
IPO	$1,238
IPO Price/Unit	$23
DCF $MM	$76.5
Coverage Ratio	1.05x
Payout	$72.8
Yield	11.65%
Distribution Per Unit (Annual)	$0.6700
Quarterly Distribution	$0.1675
Amount Raised in IPO	$1,238
CPG Ownership of Op-Co	84.3%

Units Outstanding Calculation		
Total Units Outstanding	100.645	
Estimated Common Units	53.833	53%
Estimated Subordinate Units	46.811	47%
Estimated GP Units	0.000	0%

Ownership	Public	%	NiSource	%
Common	53.833	100.0%	0.000	0.0%
Subordinate	0.000	0%	46.811	100%
GP	0.000		0.000	
Total	53.833	53.5%	46.811	46.5%

Distribution & IDR Structure		
MQD	$0.1675	$0.6700
15%	$0.1926	$0.7705
25%	$0.2094	$0.8375
50%	$0.2513	$1.0050

Distribution & IDR Structure	
Current Px	$26.48
Current Yld	2.5%
IPO Yield	2.9%
Appreciation Post IPC	15.1%

Source: UBSe, Company Reports

Our MLP model assumes the MLP begins with a 15.7% ownership interest Op-Co which equates to annual EBITDA of $94mm. We estimate that CPPL's EBITDA will grow at a 50% CAGR over the next six years as the MLP issue equity and acquires additional interests in Op-Co. The MLP will benefit from both the 17% growth in EBITDA at Op-Co as well as it owning incrementally more of the EBITDA of Op-Co.

Figure 23: MLP Forecasted Drops, EBITDA, DCF & EPU

	2014	2015	2016	2017	2018	2019	2020	
Columbia Op-Co								*5-Yr CAGR*
Base EBITDA	$598.5	$579.6	$677.5	$771.3	$886.5	$1,333.7	$1,503.8	21.0%
Incremental EBITDA from Growth Projects		$126.0	$109.4	$130.9	$451.6	$173.3	$42.9	
Total EBITDA		$705.6	$786.8	$902.3	$1,338.1	$1,507.0	$1,546.7	17.0%
Y/Y Growth				15%	48%	13%	3%	
CPPL Ownership	15.7%	15.7%	26.9%	36.2%	43.5%	45.1%	46.4%	24.2%
CPPL Share of Op-Co EBITDA	$93.96	$91.0	$182.2	$279.6	$385.4	$600.9	$698.1	50.3%
Y/Y Growth				53%	38%	56%	16%	
CPPL Distributable Cash Flow		$ 82.1	$ 151.3	$ 234.8	$ 455.1	$ 533.2	$ 577.4	47.7%
Y/Y Growth			84%	55%	94%	17%	8%	
CPPL Distribution Per Unit		$ 0.70	$ 0.88	$ 1.09	$ 1.36	$ 1.70	$ 1.98	23.1%
Y/Y Growth			25%	25%	25%	25%	17%	
Coverage		1.16x	1.37x	1.34x	1.64x	1.36x	1.17x	
								Total
Growth EBITDA Financed By CPPL		-	$107.7	$115.4	$115.4	$38.5	$38.5	$415.4

Source: UBSe, Company Reports

Organic growth will be driven by the estimated $5bn in growth projects currently in execution and $1.5bn investment in the modernization program over the next six years. We note that the growth is heaving skewed to 2018 and 2019 with the $1.4bn Leach Xpress and $330mm Rayner Xpress projects come on line late in 2017 and the $310mm Cameron Access and $870mm WB Xpress projects coming on line in 2018. Growth could be higher if the $2.6bn Mountaineer and Gulf XPress projects, which recently completed binding open seasons with enough interest to proceed forward, are constructed.

Columbia Pipeline Partners Valuation

Our discounted distribution model for a potential MLP assumes a 4% terminal growth rate and a 6.9% cost of equity. We note that we are assuming mid-single-digit distribution growth through 2030 and then slowly dropping to 2% over time. Based on our assumed distributions, we derive a $30 price target for the MLP as shown in Figure 24.

Figure 24: CPPL Discounted Distribution Model

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Distribution Per Unit	$0.70	$0.88	$1.09	$1.36	$1.70	$1.98	$2.17	$2.33	$2.48	$2.62	$2.76
Y/Y growth		*25.0%*	*24.6%*	*24.7%*	*24.7%*	*16.8%*	*9.6%*	*7.4%*	*6.4%*	*5.8%*	*5.1%*
Coverage	1.16x	1.37x	1.34x	1.64x	1.36x	1.17x	1.12x	1.1x	1.1x	1.1x	1.09x
Terminal Value											$ 33.05
PV of Distributions	$0.68	$0.79	$0.92	$1.08	$1.26	$1.37	$1.41	$1.41	$1.41	$1.39	$1.37
Terminal Value PV											$15.57

Equity Value Per Share	$28.65
12-Month Price Target	**$30**
Current Share Price	$26
Upside/(Downside)	15%

Assumptions	
10-Year Growth Rate	14.7%
Terminal Growth Rate	4.00%
Stable Coverage Ratio	1.34x
Risk Free Rate	4.50%
Beta	0.60
Equity Risk Premium	4.00%
Cost of Equity	6.90%
Terminal Cost of Equity	7.43%

Source: UBSe

Comparing CPPL's valuation to other comparable MLPs, CPPL is currently trading at a 2.6% yield with a 3-Yr distribution CAGR of 24.7% compared to comparable MLPs, which are currently yielding 4.4% with average 3-Yr distribution CAGRs of 17.6%. We note that MLPs growing distributions at 20% or higher are currently yielding 2.1% on average. On a Price to LP DCF, CPPL is currently trading at 29.6x on 2015 and 15x on 2016 LP DCF. This is a premium to both the comparable MLP group and the high distribution growers on 2015 DCF, but a discount to the high distribution growers on 2016 DCF.

Figure 25: Comparable MLP Multiple Analysis

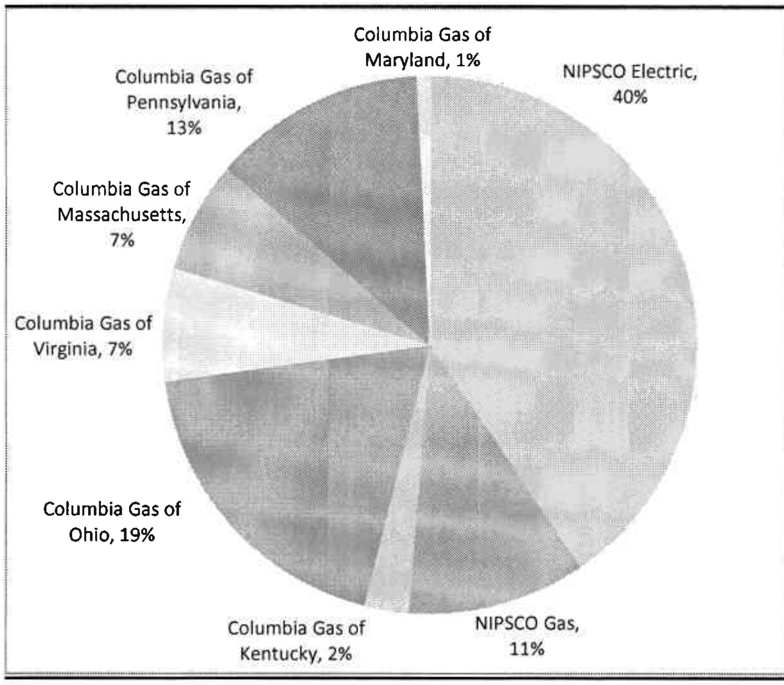
Company	Ticker	Price	Total EV ($ billion)	Distribution 2015	2016E	2017E	15/16	16/17	3-Yr CAGR	Cur Yield	2015 Yield	Price / LP's DCF 2015E	2016E	EV / EBITDA 2015E	2016E
Comparable Business Peer Group															
Boardwalk	BWP	$16.68	$7.8	$0.40	$0.60	$1.02	50.0%	70.0%	36.6%	2.4%	2.4%	9.7x	8.7x	11.0x	10.3x
EQT Midstream	EQM	$84.52	$6.0	$2.62	$3.12	$3.64	19.1%	16.7%	19.4%	2.9%	3.1%	NA	NA	13.5x	9.3x
Spectra Energy Partners	SEP	$53.41	$21.9	$2.48	$2.68	$2.88	8.1%	7.5%	8.0%	4.5%	4.6%	10.7x	9.7x	12.7x	11.6x
TC PipeLines	TCP	$66.70	$6.1	$3.51	$3.73	$3.96	6.1%	6.3%	5.9%	5.1%	5.3%	15.0x	12.9x	16.6x	13.3x
Williams Partners LP	WPZ	$48.72	$29.2	$3.40	$3.68	$3.96	8.2%	7.6%	17.8%	7.1%	7.0%	6.9x	5.2x	7.1x	5.8x
						Average	18.3%	21.6%	17.6%	4.4%	4.5%	10.6x	9.1x	12.2x	10.1x
20%+ Distribution Growth - Drops and Organic Growth Peer Group															
Dominion Midstream Partners	DM	$40.18	$2.4	$0.77	$0.97	$1.27	26.6%	30.3%	21.9%	1.7%	1.9%	39.7x	28.8x	26.5x	17.6x
MPLX	MPLX	$73.86	$3.8	$1.82	$2.33	$2.94	28.0%	26.0%	27.8%	2.2%	2.5%	16.8x	11.9x	11.3x	6.8x
Phillips 66 Partners LP	PSXP	$72.41	$5.7	$1.63	$2.13	$2.62	30.7%	23.0%	28.7%	2.0%	2.3%	NA	NA	19.6x	11.0x
Shell Midstream Partners	SHLX	$40.50	$5.4	$0.75	$0.94	$1.19	26.4%	26.0%	22.3%	0.7%	1.8%	39.9x	25.6x	30.7x	20.5x
Sunoco Logistics	SXL	$42.34	$14.3	$1.79	$2.15	$2.59	20.1%	20.2%	20.1%	3.9%	4.2%	7.7x	6.1x	12.5x	10.5x
Valero Energy Partners	VLP	$49.88	$3.2	$1.22	$1.57	$1.94	28.7%	23.6%	27.3%	2.2%	2.4%	NA	NA	20.1x	11.5x
Average of MLPs with 20% or Higher Distribution Growth							26.7%	24.8%	24.7%	2.1%	2.5%	26.0x	18.1x	20.1x	13.0x
Columbia Pipeline Partners	CPPL	$26.05	$2.4	$0.70	$0.88	$1.09	25.0%	24.6%	24.7%	2.6%	2.7%	29.6x	15.6x	24.8x	11.5x

Source: UBSe, FactSet

NiSource Post Spin-out (NI)

Post the tax free spin-out of Columbia Pipeline Group, which is planned for mid-2015, NiSource will be an Electric Utility and Gas Distribution business. Figure 26 below provides the break-out of the $7.4bn rate base at the utility company, of which 60% is gas distribution and 40% is electric utility.

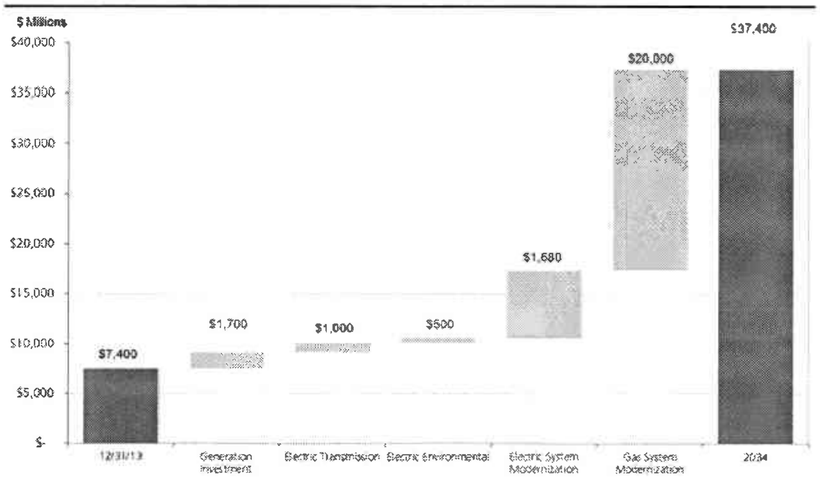
Figure 26: Composition of Current Gas & Electric Utility Rate Base



Source: UBSe, Company Reports

NiSource currently plans to spend $30bn over the next twenty years to grow the rate base to $37.4bn by 2034, ~67% of which will be spent on modernization programs in the gas distribution business. Figure 27 below provides the break-out of planned investment spending.

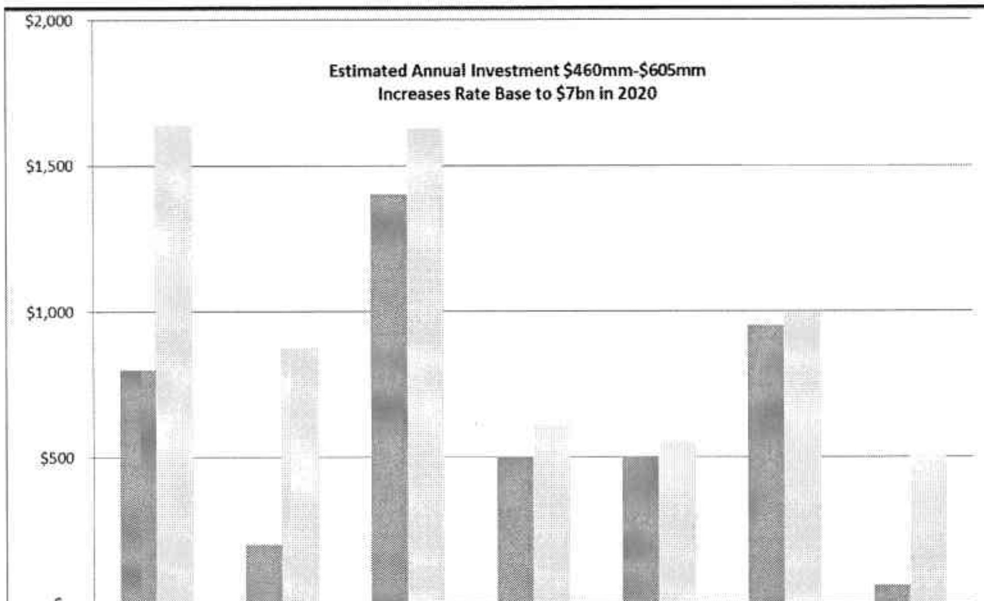
Figure 27: Growth & Modernization Projects Contribution to Rate Base



Source: UBS, Company Reports

Figure 29 show the estimated growth in the rate base over the next six years by company.

Figure 28: Projected 2020 Rate Base vs. Current Rate Base

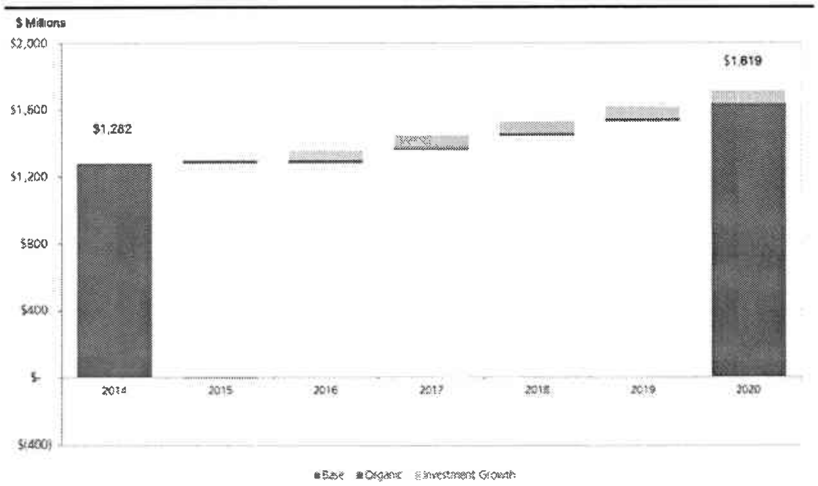


	NIPSCO Gas	Kentucky	Ohio	Virginia	Massachusetts	Pennsylvania	Maryland
9/14	$800	$200	$1,400	$500	$500	$950	$60
2020	$1,644	$875	$1,625	$613	$545	$995	$510

Source: UBSe, Company Reports

Figure 28 provides the break-out of the anticipated step up in EBITDA 2014-2020 from organic growth and the contribution from investments.

Figure 29: Estimated Growth in EBITDA 2014-2020



Source: UBSe

Gas Distribution

NiSource's natural gas distribution serves over 3.4MM customers in seven states and operates ~58,000 miles of pipeline. It owns six distribution subsidiaries that provide natural gas to roughly 2.6MM residential, commercial and industrial customers in Ohio, Pennsylvania, Kentucky, Virginia, Massachusetts and Maryland. Additionally, NiSource distributes natural gas to approximately 807,000 customers in northern Indiana through its wholly-owned subsidiary NIPSCO Gas. Operating results for the gas distribution segment is seasonal with operating income materially higher in the first and fourth quarters due to higher natural gas demand for heating in the winter months. In 2014, gas distribution's recurring operating income was $537MM (or 42% of total). We project this figure will equal $572MM (40%) in 2015 and $610MM (39%) in 2015. This segment is expected to have modest 0.5% customer growth going forward. Currently the rate base is $4.4bn, but it is expected to grow at a 10.7% CAGR to $8bn by 2020.

The segment grows through investment modernization programs that it is allowed to earn a specified return on capital spent to replace aging assets. NiSource is focused on reducing the lag time from investment to cost recovery. This is done through tracking mechanisms and forward test years (Pennsylvania), which more efficiently recover investment capital than periodic rate case filings.

Overview of Gas Distribution Operating Companies

The gas utility business is broken into operating companies by state due to the operations being regulated by the state in which they operate.

Figure 30: Overview of Natural Gas Distribution Operations

Natural Gas Distributor	Description	Customers	Miles of Pipe	ROE (%)	Common Equity / Total Cap (%)	Rate Base ($MM)	Infrastruct. Modern.	Most Recent Rate Case Filed
Columbia Gas of Ohio	Largest Natural Gas Provider in Ohio	1,400,000	20,000	11.50	58.7	1,100	√	2008
Columbia Gas of Pennsylvania	Third Largest Natural Gas Provider in Penn	400,000	7,400	11.25	52.2	1,200	√	2014
Columbia Gas of Virginia	Third Largest Natural Gas Provider in Virginia	250,000	5,000	10.90	43.3	500	√	2014
Columbia Gas of Kentucky	Second Largest Gas-Only Provider in Kentucky	140,000	2,600	10.13	52.4	200	√	2013
Columbia Gas of Maryland	Provides Service in Three Counties in Maryland	33,000	750	8.25	53.8	60	√	2013
Columbia Gas of Massachusetts	Largest Gas-Only Provider in Massachusetts	300,000	4,800	11.45	53.7	500	√	2014
NIPSCO Gas - Indiana	Largest Natural Gas Provider in Indiana	800,000	17,000	11.75	46.3	300	√	2010

Source: Company Website, Company Presentation, SNL

Columbia of Ohio

Columbia of Ohio has a rate base of roughly $1.4Bn and a five year Infrastructure Replacement Program of ~175MM/yr that is recovered by forward year rate testing that began in 2013. The next annual tracker filling renewal will be in 2018 for another $150-$200MM. Management believes this program can last over 20 years. Columbia of Ohio's ROE is ~11.50%.

Columbia of Pennsylvania

Columbia of Pennsylvania has a rate base of roughly $1.2bn and has a replacement program that recovers costs via forward year rate cases and tracker filings since mid-2013. This annual investment in infrastructure replacement ranges from $150-$200MM and has a projected life of over 20 years. In December 2014, Columbia of Pennsylvania was issued a rate case with the Pennsylvania PUC, seeking a revenue increase of $32.5MM annually, driven by its capital investment program as well as pipeline safety-related expenditures expected to total $180MM in 2015. Columbia of Pennsylvania is also seeking approval to recover costs that are projected to be incurred after the implementation of the new rates in December 2014. The new rates will allow Columbia of Pennsylvania to recover costs that are projected for the twelve-month period ending December 2015. The ROE for Columbia of Pennsylvania is 11.25%.

Northern Indiana Public Supply Co

NIPSCO gas division has a rate base of roughly $300MM. In late 2013, NIPSCO filed its gas TDSIC seven year plan of eligible investments for over $710MM with the IURC. In April 2014, the IURC approved the seven year plan approximating roughly $100MM/yr in capital spending and recovery. NIPSCO did not file a request with the IURC for ratemaking and accounting relief associated with the eligible investments in 3Q14. The allowable ROE for NIPSCO is equal to 11.75%.

Columbia of Virginia

Columbia of Virginia currently has a rate base of roughly $500MM accompanied with a 2013 five year plan that provides for the recovery of costs associated with the accelerated replacement of facilities intended to improve system safety or reliability. The $20-$30MM annual infrastructure replacement program is up for renewal in 2017 and management expects the program to last over 20 years. In 1Q15, the Hearing Examiner recommended the Virginia State Corporation Commission ("VSCC") to adopt an annual revenue increase of $25MM. The ROE for Columbia of Virginia is ~10.9%.

Columbia of Massachusetts

Columbia of Massachusetts has a rate base of ~$500MM and ROE of 11.45%, the Governor of Massachusetts signed legislation that allows accelerated recovery of infrastructure modernization investments. Columbia Gas of Massachusetts intends to file a construction plan with the Department of Public Utilities ("DPU") by end of October 2014 and expects to begin recovering in May 2015. In a 2013 rate case, Columbia of Massachusetts had its established annual tracker filings expanded to $25-$50MM, which management expects will last for 20+ years.

Columbia of Kentucky

Columbia of Kentucky has a rate base of roughly $200MM and replacement tracker of ~$10MM per year with the use of a forecasted test period. Management expects this replacement tracker to last for over 20 years. Columbia of Kentucky also has a revenue normalization adjustment to recognize changes in customer usage not included in Columbia of Kentucky's current weather normalization adjustment. The ROE of Columbia of Kentucky is ~10.125%.

Columbia of Maryland

Columbia of Maryland has a rate base of ~$60MM and ROE of 8.25%. In early 2013, Columbia of Maryland filed a rate case with the Maryland Public Service Commission ("PSC"), requesting a revenue increase of ~$5MM annually, implementation of a residential Revenue Normalization Adjustment in order to decouple revenues from customer usage, and cost recovery from environmental remediation from a former manufactured gas plant. In mid-2013, the Maryland PSC approved an annual revenue increase of $4MM, and Columbia of Maryland's proposed revenue normalization adjustment, but not the recovery of environmental remediation costs. In late-2013, Columbia of Maryland filed a Petition for Judicial Review on the denial of the cost recovery. The segment has an infrastructure replacement program and three year rate case filling of ~$10MM, which management believes can last over 20 years.

Recent Rate Developments & Modernization Programs: In early 2013, the Governor of Indiana signed into law the Senate Enrolled Act 560, providing for cost recovery outside of rate cases for new or replacement electric and gas transmission, distribution, and storage projects. These projects must be for safety, reliability, system modernization, or economic development. The cost recovery mechanism is referred to as a TDSIC and it requires that all requests for recovery include a seven-year plan of "eligible investments". Once approved by the Indiana

Utility Regulatory Commission ("IURC"), 80% of the eligible investments costs can be recovered using a periodic rate adjustment mechanism. The residual 20% of recoverable costs are deferred for future recovery in the utility's next general rate case. This act allows for quicker cost recovery and improves NiSource's return on investment. NiSource has completed rate cases with infrastructure replacement in each state and has ~$20Bn of gas modernization investment opportunities over the next 20+ years.

Cost Recovery and Trackers: A large portion of the distribution company's revenue is the recovery of gas costs, which are part of regulatory process. All states review of the costs incurred supplying gas to customer and determine how much can be recovered by the distribution companies. Some large costs are allowed to be recovered through cost tracking mechanisms. These tracking mechanisms abbreviate the regulatory proceedings and allow for faster recovery of costs versus traditional rate cases.

Figure 31: Overview of Gas Distribution Modernization Programs & Regulatory Activity

Gas Distribution Modernization & Regulatory Activity				
Infrastructure Modernization Programs - $20+ Billion				
Project	Capital ($MM)	Description	Expected Timing	Total Investment ($MM)
Columbia Gas of Ohio	$175-$200	5-year program renewal (next renewal 2018)	20+ Years	$5,400
Columbia Gas of Penn.	$125-$175	Forward test year rate case filings	20+ Years	$5,700
Columbia Gas of Mass.	$40-$60	Annual tracker filings approved in 2009, expanded in 2013 rate case	20+ Years	$2,000
Columbia Gas of Virginia	$20-$30	5-year program renewal (next renewal 2017)	20+ Years	$800
Columbia Gas of Kentucky	~$10	Infrastructure Replacement Program with annual tracker filings	20+ Years	$1,000
Columbia Gas of Maryland	~$10	Rate case filings with make whole filings for up to three subsequent years	20+ Years	$400
NIPSCO – Gas	$80-$120	7-year, ~$700M plan (80% Tracked/20% Deferred), expand service into rural areas	7 Years	$4,500
Current Regulatory Activity				
Project	Capital ($MM)	Description	Expected Timing	Total Investment
NIPSCO – Infrastructure	$700	NIPSCO's $700M gas infrastructure replacement plan; $100MM investment per year	Effective: 2Q14	$700
Virginia - Rate Case	$25	Request to increase capital investments under multi-year distribution modernization plan	Filed: 2Q14 Effective: 3Q14	$25
Pennsylvania - Rate Case	$54	Request to increase capital investments to enhance pipeline safety & customer programs	Filed: 1Q14 Effective: 4Q14	$54
Massachusetts - Infrastructure	TBD	File infrastructure plan under the provision of House Bill 4164 by 10/31/14 for 5/1/15 effective date	TBD	TBD

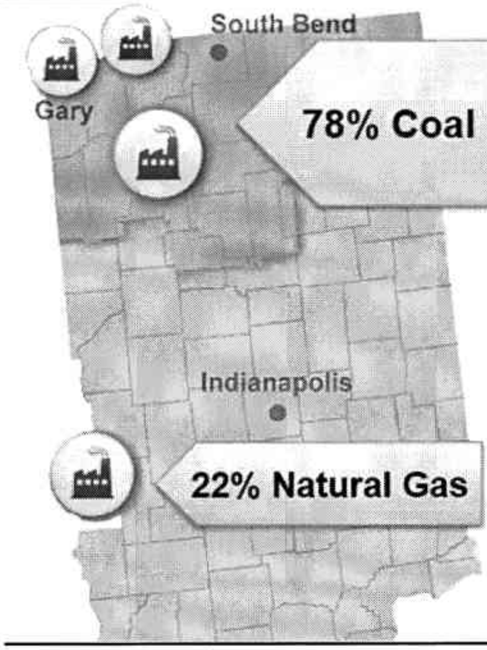
Source: UBS, Company Presentations

Electric Operations

NiSource generates, transmits and distributes electricity through its subsidiary NIPSCO to roughly 460,000 customers in 20 counties in the northern part of Indiana. NIPSCO owns and operates three coal-fired electric generating facilities with capacity of 2,540 mw. NIPSCO also owns and operates a Combined Cycle Gas Turbine plant (capacity of 535 mw), four gas-fired generating units at NIPSCO's coal-fired electric generating stations (capability of 206 mw) and two hydroelectric generating plants (capability of 10 mw). These facilities provide for a total system operating capability of ~3,300 mw (78% Coal; 22% Natural Gas; <1% Wind and Hydroelectric). NIPSCO's transmission system, with voltages from 69,000-345,000 volts, consists of 2,800 Electric Transmission miles and 10,000 miles of electric distribution lines. During the year ended December 2013, NIPSCO generated 77% of its electric requirements and purchased the remaining 23%. Operating results for the Electric segment are impacted by seasonality with operating income higher in the second and third quarters due to demand for cooling in the summer months. In 2014, the electric segment reported operating income of $283MM (or 22% of NiSource's total). We project this figure will equal

$311MM (21%) in 2015 and $330MM (21%) in 2016.

Figure 32: NIPSCO Electric Operations



Source: Company Presentations

Noteworthy Rate Developments & Modernization Programs: Growth in the electric segment is through NIPSCO's modernization program. In mid-2013, NIPSCO filed a seven-year plan for ~$710MM of eligible investments with the majority of the spending occurring in years 2016-2020. In early 2014, the IURC approving NIPSCO's seven-year plan and granted NIPSCO ratemaking relief associated with qualified investments through a rate adjustment mechanism. These infrastructure investments will result in rate base growth and earnings growth. NI is also pursuing rate relief in various jurisdictions.

In November 2013, several industrial customers filed a complaint to FERC regarding the 12.38% ROE used to set transmission rates and requested a reduction in the ROE to 9.15%. The complaint also requests that FERC limit the capital structure to 50% common equity for ratemaking purposes and that it eliminate incentive adders. NIPSCO defended the 12.38% ROE and motioned to dismiss the complaint in January 2014. In October 2014 FERC issued an Order that dismissed the portions of the complaint dealing with capital structure and incentive adders. FERC set the base ROE for hearing and it was reduced by ~$14MM.

Cost Recovery and Trackers: Similar to the other two segments, a large portion of NIPSCO's revenue is related to the recovery of fuel costs incurred in generating and purchasing power. In Indiana, these costs are recovered through quarterly regulatory proceedings. Some costs of operation in the segment are large, recurring, and outside the control of NIPSCO. The IURC allows for recovery of such costs via cost tracking mechanisms. These tracking mechanisms allows for shorter regulatory proceedings for NIPSCO to implement and recover costs faster versus traditional cost recovery procedures. In late 2014, the IURC issued an order approving NIPSCO's request to begin earning a return on $660MM of capital expenditures. In early 2015, NIPSCO then filed an Environmental Cost Recovery form for and an additional ~$70MM of capital expenditures for year-end 2014. As shown in Figure 28, NiSource has ~$10Bn of investment opportunities for the electric utility over the next 20+ years.

Figure 33: Overview of Electric Operations Growth Projects

Electric Operations Growth				
Upgrade Generation Fleet & Environmental Compliance - ~$2.2 Billion				
Project	Capital ($MM)	Description	In-Service	Total Investment Opportunity ($MM)
U14 FGD	$250	ECRM (Environmental Cost Recovery Mechanism - 100% tracked) FDG (Flue Gas Desulfurization) facility at Schahfer Generating Station	YE 13	$2,200
U15 FGD	$250	ECRM (100% tracked) FDG facility at Schahfer Generating Station	YE 14	
U12 FGD	$250	ECRM (100% tracked) FDG facility at Michigan City Generating Station	YE 15	
NOx Upgrades	$50	ECRM (100% tracked) NOx upgrades and monitoring	YE 15	
MATS	$60	ECRM (100% tracked) projects enhancing mercury and particulate controls at all coal plants	YE13/ YE14/ YE15	
Water Treatment	$25-$130	SB 251 (80% Tracked/20% Deferred) projects enhancing wastewater treatment at all coal plants & Water intake modifications at Bailly Station	YE17/ YE18	
Coal Ash Improvements	$100-$300	SB 251 (80% Tracked/20% Deferred) projects upgrading ash handling/disposal at coal plants	TBD	
Infrastructure Modernization Program - ~$6.8 Billion				
Project	Capital ($MM)	Description	In-Service	Total Investment Opportunity ($MM)
NIPSCO Electric Distribution /Transmission Modernization	7-years $1,100	SB 560 (80% Tracked/20% Deferred) NIPSCO is implementing year 1 of its 7-year, ~$1.1B electric infrastructure replacement plan; Mgmt expects total $6.8B investment opportunity	Implemented: 2014	$6,800
Enhance Transmission System - ~$1 Billion				
Project	Capital ($MM)	Description	In-Service	Total Investment Opportunity ($MM)
Reynolds-Topeka	$250-$300	FERC approved 345-kV transmission project from Reynolds Substation to Hiple Substation (100 miles) – route determination complete - right-of-way acquisition in progress	2H18	$1,000
Greentown-Reynolds	NI: $150-200	FERC approved 765-kV transmission project from Reynolds Substation to Greentown Substation (~70 miles) – route determination complete - right-of-way acquisition TBD	2H18	

Source: UBS, Company Presentations

NiSource Valuation Analysis

Figure 34 provides a sum-of-the-parts valuation from the businesses that will remain at NiSource post the spin-out of CPG. We have used an average of comparable company multiples to value the electric and gas distributions business. We have also given credit for capital spending that is planned for the next twelve months but not reflected in the 2015 EBITDA and used a blended multiple to value this spending. Our sum-of-the-parts analysis estimated a $18 per share value for these businesses.

Figure 34: : NiSource Sum-Of-The-Parts

NiSource

Operational Unit	2015E EBITDA	Multiple	Value
Gas Utilities	$751	9x	$6,761
Electric Utilities	$510	9x	$4,588
		Total	$ 11,349
		Less Net Debt	$ (5,640)
		Total Equity	$ 5,709
		Shares Outstanding	317.8
		Value Per Share (12-months)	**$18.00**

Source: UBSe

As Figure 35 below shows, NiSource trades above both the gas and electric utility peers on both a PE and EV/EBITDA basis. We believe NiSource is already pricing in the value of the spin and the advantaged cost of capital that the MLP provides to finance growth at the pipeline company.

Figure 35: Comparable Companies

Company	Price 5/9/2015	Market Cap ($MM)	Annual Dividend	3-Yr CAGR	Dividend Yield	EPS 2015	EPS 2016	3-Yr CAGR	P/E 2015	P/E 2016	EV/EBITDA 2015	EV/EBITDA 2016
Regulated & Diversified Electric Utilities												
American Electric Power Co.	$55.26	$27,074	$2.03	5.0%	3.7%	$3.52	$3.69	4.6%	15.7x	15.0x	8.8x	8.8x
Ameren Corp	$40.40	$9,802	$1.61	5.3%	4.0%	$2.56	$2.70	5.9%	15.8x	15.0x	7.9x	7.9x
CMS Energy	$33.17	$9,181	$1.08	6.9%	3.3%	$1.88	$2.01	6.7%	17.6x	16.5x	9.0x	9.0x
Dominion Resources, Inc.	$70.93	$41,801	$2.40	7.4%	3.4%	$3.70	$3.89	6.0%	19.2x	18.3x	12.2x	12.2x
DTE Energy Company	$78.39	$14,058	$2.69	5.3%	3.4%	$4.63	$4.92	4.3%	16.9x	15.9x	8.5x	8.5x
Duke Energy Corp.	$76.81	$54,381	$3.15	3.7%	4.1%	$4.68	$4.95	4.5%	16.4x	15.5x	10.2x	10.2x
Wisconsin Energy Corp	$47.80	$10,779	$1.56	7.9%	3.3%	$2.72	$2.87	5.2%	17.5x	16.7x	10.3x	10.3x
Xcel Energy Inc.	$33.48	$16,971	$1.20	5.3%	3.6%	$2.09	$2.22	5.0%	16.1x	15.1x	9.1x	9.1x
Electric Utilities Average		$23,006	$1.97	5.8%	3.6%			5.3%	16.9x	16.0x	9.5x	9.5x

Company	Price 5/9/2015	Market Cap ($MM)	Annual Dividend	3-Yr CAGR	Dividend Yield	EPS 2015	EPS 2016	3-Yr CAGR	P/E 2015	P/E 2016	EV/EBITDA 2015	EV/EBITDA 2016
Gas Utilities												
AGL Resources, Inc.	$49.24	$5,906	$1.96	3.9%	4.0%	$2.92	$3.02	-12.9%	16.9x	16.3x	9.2x	9.2x
Atmos Energy Corp.	$53.47	$5,401	$1.48	7.1%	2.8%	$3.02	$3.22	5.6%	17.7x	16.6x	8.8x	8.8x
Questar	$23.10	$4,059	$0.75	6.6%	3.2%	$1.28	$1.35	2.3%	18.0x	17.1x	9.1x	9.1x
UGI Corp.	$34.74	$6,003	$0.73	6.6%	2.1%	$1.97	$2.14	3.9%	17.6x	16.3x	8.4x	8.4x
Gas Utilities Average		$5,342	$1.23	6.0%	3.0%			-0.3%	17.5x	16.6x	8.8x	8.8x
NiSource, Inc.	$18.00	$5,720	$0.58	5.6%	3.2%	$0.89	$0.95	6.8%	20.2x	19.0x	9.0x	8.4x

Source: UBSe, FactSet

Financials

Stable earnings growth: As a result of NiSource's earnings coming from regulated businesses that receive a regulated return on investment through rate cases, modernization plans and trackers that cover several years, we expect NiSource's growth to be a fairly constant rates as shown in Figure 36.

Figure 36: Operating Income for Natural Gas Distribution and Electric Utility Businesses

NiSource (Gas & Electric Distribution)	2014	2015E	2016E	2017E	2018E	2019E	2020E
Revenues	$ 5,267.3	$ 5,320.6	$ 5,641.6	$ 5,888.3	$ 6,138.0	$ 6,396.7	$ 6,658.4
(Cost of Sales)	$ (2,372.4)	$ (2,247.3)	$ (2,432.4)	$ (2,538.6)	$ (2,646.0)	$ (2,756.8)	$ (2,868.9)
Net Revenue	$ 2,894.9	$ 3,073.3	$ 3,209.2	$ 3,349.8	$ 3,492.0	$ 3,639.9	$ 3,789.5
(Operating & Maintenance Expenses)	$ (1,375.2)	$ (1,542.7)	$ (1,586.5)	$ (1,631.5)	$ (1,677.8)	$ (1,725.4)	$ (1,774.3)
(Depreciation & Amortization)	$ (462.0)	$ (479.6)	$ (496.3)	$ (514.2)	$ (533.3)	$ (553.6)	$ (575.0)
(Other Taxes)	$ (238.3)	$ (249.6)	$ (264.0)	$ (274.4)	$ (285.0)	$ (295.7)	$ (306.5)
Additional G&A from Separation	$ (20.0)	$ (13.3)	$ (14.4)	$ (15.6)	$ (16.8)	$ (18.1)	$ (19.6)
Total Recurring Operating Income	**$ 799.4**	**$ 788.1**	**$ 848.0**	**$ 914.1**	**$ 979.2**	**$ 1,047.1**	**$ 1,114.1**
OPERATING INCOME BY DIVISION							
Gas Distribution	$ 537.0	$ 528.1	$ 567.9	$ 610.8	$ 652.7	$ 693.5	$ 733.1
Electric Operations	$ 282.7	$ 273.3	$ 294.6	$ 318.9	$ 343.3	$ 371.8	$ 400.6
Additional G&A from Separation	$ (20.0)	$ (13.3)	$ (14.4)	$ (15.6)	$ (16.8)	$ (18.1)	$ (19.6)
Total Recurring Operating Income	**$ 799.7**	**$ 788.1**	**$ 848.0**	**$ 914.1**	**$ 979.2**	**$ 1,047.1**	**$ 1,114.1**
y/y growth	*14.6%*	*-1.5%*	*7.6%*	*7.8%*	*7.1%*	*6.9%*	*6.4%*
EBITDA	**$ 1,261.7**	**$ 1,267.7**	**$ 1,344.4**	**$ 1,428.3**	**$ 1,512.5**	**$ 1,600.7**	**$ 1,689.0**
y/y growth	*10.3%*	*0.5%*	*6.0%*	*6.2%*	*5.9%*	*5.8%*	*5.5%*
Interest Expense - Net		$ (351)	$ (379)	$ (406)	$ (432)	$ (455)	$ (477)
Pretax Income		$ 437.0	$ 468.6	$ 507.8	$ 547.4	$ 591.7	$ 636.7
(Provision)/Benefit for Income Taxes		$ (153.0)	$ (164.0)	$ (177.7)	$ (191.6)	$ (207.1)	$ (222.9)
Effective Tax Rate		*35%*	*35%*	*35%*	*35%*	*35%*	*35%*
Net Income		$ 284.1	$ 304.6	$ 330.1	$ 355.8	$ 384.6	$ 413.9
			7.2%	8.4%	7.8%	8.1%	7.6%
Recurring Diluted EPS		**$0.89**	**$0.95**	**$1.02**	**$1.09**	**$1.17**	**$1.25**
EPS Growth			*6%*	*8%*	*7%*	*7%*	*7%*
Average # of diluted shares outstanding	316.3	318.8	321.3	323.8	326.3	328.8	331.3
Dividends per Share		$0.58	$0.62	$0.66	$0.71	$0.76	$0.81
			6%	8%	7%	7%	7%
Payout Ratio		65%	65%	65%	65%	65%	65%

Source: UBSe, Company Reports

Figure 37: Consolidated Model Summary Pre-Spin

NiSource (Gas & Electric Distribution)	2014E	2015E	2016E	2017E	2018E	2019E
Revenues	$ 5,267.3	$ 5,320.6	$ 5,641.6	$ 5,888.3	$ 6,138.0	$ 6,396.7
(Cost of Sales)	$ (2,372.4)	$ (2,247.3)	$ (2,432.4)	$ (2,538.6)	$ (2,646.0)	$ (2,756.8)
Net Revenue	$ 2,894.9	$ 3,073.3	$ 3,209.2	$ 3,349.8	$ 3,492.0	$ 3,639.9
(Operating & Maintenance Expenses)	$ (1,375.2)	$ (1,542.7)	$ (1,586.5)	$ (1,631.5)	$ (1,677.8)	$ (1,725.4)
(Depreciation & Amortization)	$ (462.0)	$ (479.6)	$ (496.3)	$ (514.2)	$ (533.3)	$ (553.6)
(Other Taxes)	$ (238.3)	$ (249.6)	$ (264.0)	$ (274.4)	$ (285.0)	$ (295.7)
Additional G&A from Separation	$ (13.3)	$ (13.3)	$ (14.4)	$ (15.6)	$ (16.8)	$ (18.1)
Total Recurring Operating Income	**$ 806.1**	**$ 788.1**	**$ 848.0**	**$ 914.1**	**$ 979.2**	**$ 1,047.1**
OPERATING INCOME BY DIVISION						
Gas Distribution	$ 537.0	$ 528.1	$ 567.9	$ 610.8	$ 652.7	$ 693.5
Electric Operations	$ 282.7	$ 273.3	$ 294.6	$ 318.9	$ 343.3	$ 371.8
Additional G&A from Separation	$ (13.3)	$ (13.3)	$ (14.4)	$ (15.6)	$ (16.8)	$ (18.1)
Total Recurring Operating Income	**$ 806.4**	**$ 788.1**	**$ 848.0**	**$ 914.1**	**$ 979.2**	**$ 1,047.1**
y/y growth	*15.6%*	*-2.3%*	*7.6%*	*7.8%*	*7.1%*	*6.9%*
EBITDA	**$ 1,268.4**	**$ 1,267.7**	**$ 1,344.4**	**$ 1,428.3**	**$ 1,512.5**	**$ 1,600.7**
y/y growth	*10.9%*	*-0.1%*	*6.0%*	*6.2%*	*5.9%*	*5.8%*
Interest Expense - Net		$ (351)	$ (379)	$ (406)	$ (432)	$ (455)
Pretax Income	$ 806.4	$ 437.0	$ 468.6	$ 507.8	$ 547.5	$ 591.8
(Provision)/Benefit for Income Taxes	$ (280.3)	$ (151.9)	$ (162.9)	$ (176.5)	$ (190.3)	$ (205.7)
Effective Tax Rate	*35%*	*35%*	*35%*	*35%*	*35%*	*35%*
Net Income	$ 526.0	$ 285.1	$ 305.7	$ 331.3	$ 357.2	$ 386.0
		-46%	7.2%	8.4%	7.8%	8.1%
Recurring Diluted EPS	**$1.68**	**$0.90**	**$0.96**	**$1.03**	**$1.10**	**$1.18**
EPS Growth	*7%*	*-46%*	*6%*	*8%*	*7%*	*7%*
Average # of diluted shares outstanding	313.6	316.1	318.6	321.1	323.6	326.1
Dividends per Share		$0.59	$0.62	$0.67	$0.72	$0.77
			6%	8%	7%	7%
Payout Ratio	65%	65%	65%	65%	65%	65%

Source: UBSe, Company Reports

Utility Industry Overview

A utility is an organization that maintains the infrastructure for a public service and also provides a service utilizing that infrastructure such as electricity, natural gas, water, sewage, etc. Utilities can be privately or publicly owned. In the U.S., utilities are often monopolies because the infrastructure required to produce and to deliver a product such as electricity, natural gas or water is expensive to build and maintain. As a result, these utilities are regulated by local and state governments to ensure that customers have access to gas, electric and water at fair prices.

Utility ratemaking is the formal regulatory process by which utilities set the rates they charge consumers. Ratemaking is typically carried out through "rate cases" before a public utilities commission and is the primary way governments regulate utilities. Natural gas distribution and electricity generation and distribution typically file rate cases with the state utility commission and ask for rate increases and returns on capital spending. Nationally, the Federal Energy Regulatory Commission (or "FERC") exercises authority over intrastate pipelines.

A rate base is the value of property a utility is permitted to earn a return on. In general, the rate base consists of the value of the property used by the utility in providing a service. A utility is allowed to earn a return on the equity it invests. It is generally assumed that 50% will be financed through equity and 50% with debt. Allowable returns on equity are typically in the 9%-11% range. Once the allowable earnings are calculated, the allowable revenues are backed into. The allowable revenues are divided by the estimated sales throughput to determine the rate per dekatherm charged to the customer.

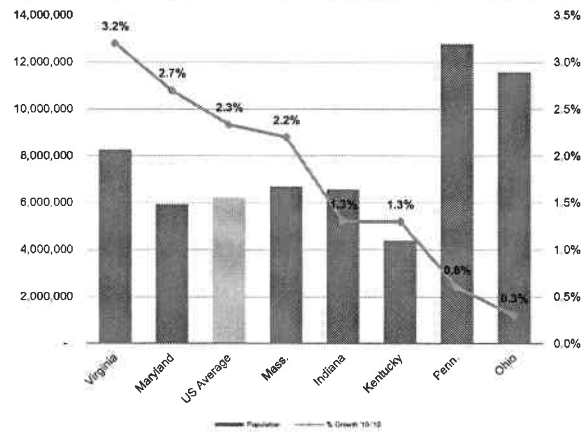
Figure 38: Overview of Rate Case Calculation

Step 1: Calculate the Authorized Earnings			**Step 3: Set Customer Rates**	
Rate Base	$100		Allowable Revenue	$100 MM
Equity Ratio	50%		Expected sales	2,000 Bcf
Authorized ROE	10%		Rate Per Bcf	$50,000 Per Bcf
Authorized Earnings	**$5**	($100*50%*10%)	**Rate per Dth**	**$0.05** (1 Bcf = 1MM Dth)
Step 2: Calculate Allowable Revenues				
Authorized Earnings	$5			
Fuel Costs	$35			
Operating & Maintenance	$25			
Depreciation & Amortization	$20			
Interest Expense	$10			
Income Taxes	$5			
Allowable Revenue	$100			

Source: UBSe

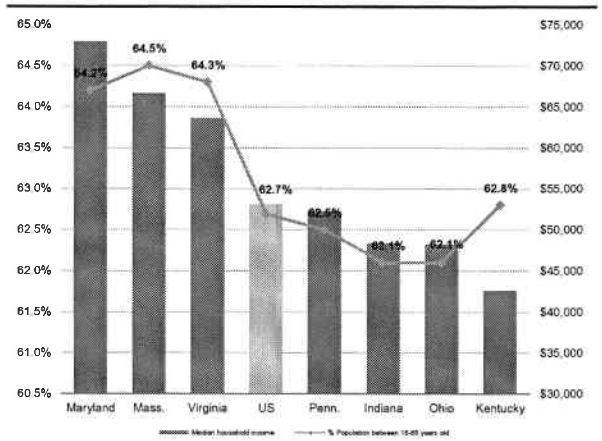
In addition to rate cases, population growth and household income also contribute to utility growth as they help determine demand. As Figure 39 shows, the population in most of the states that NiSource is operating in is growing below the U.S. average. Indiana, Ohio and Pennsylvania are the largest states for NiSource and they are all growing below the US average of 2.3%. We have estimated 0.5% customer growth for NiSource in our model. Similarly, we note that these three largest states for NiSource have median income below the national average. We do note that while population is not growing and the income per capita is below the U.S average, the state utility commissions in these states have been fairly friendly working with utility companies.

Figure 39: NI's Utilities State Population & Growth



Source: U.S. Census Bureau

Figure 40: NI's Utilities State Homeowners Income & Age

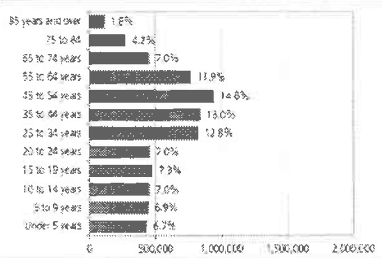


Source: U.S. Census Bureau

Appendix

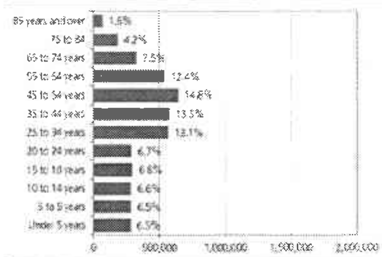
Key Demographic Data

Figure 41: IN Age Distribution



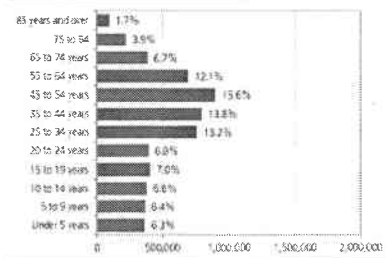
Source: 2010 U.S. Census Data

Figure 42: KY Age Distribution



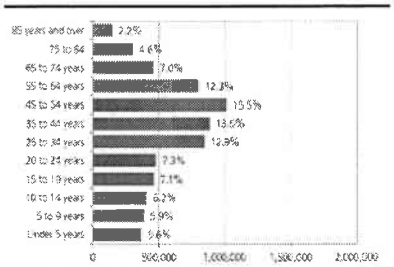
Source: 2010 U.S. Census Data

Figure 43: MD Age Distribution



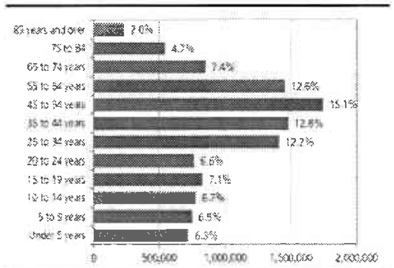
Source: 2010 U.S. Census Data

Figure 44: MA Age Distribution



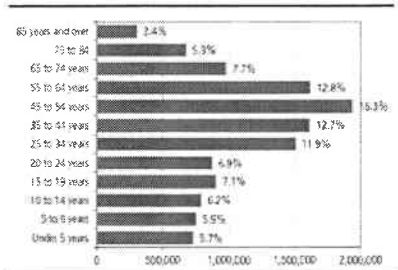
Source: 2010 U.S. Census Data

Figure 45: OH Age Distribution



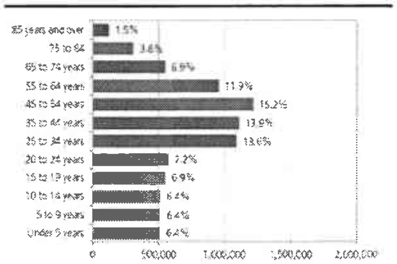
Source: 2010 U.S. Census Data

Figure 46: PA Age Distribution



Source: 2010 U.S. Census data

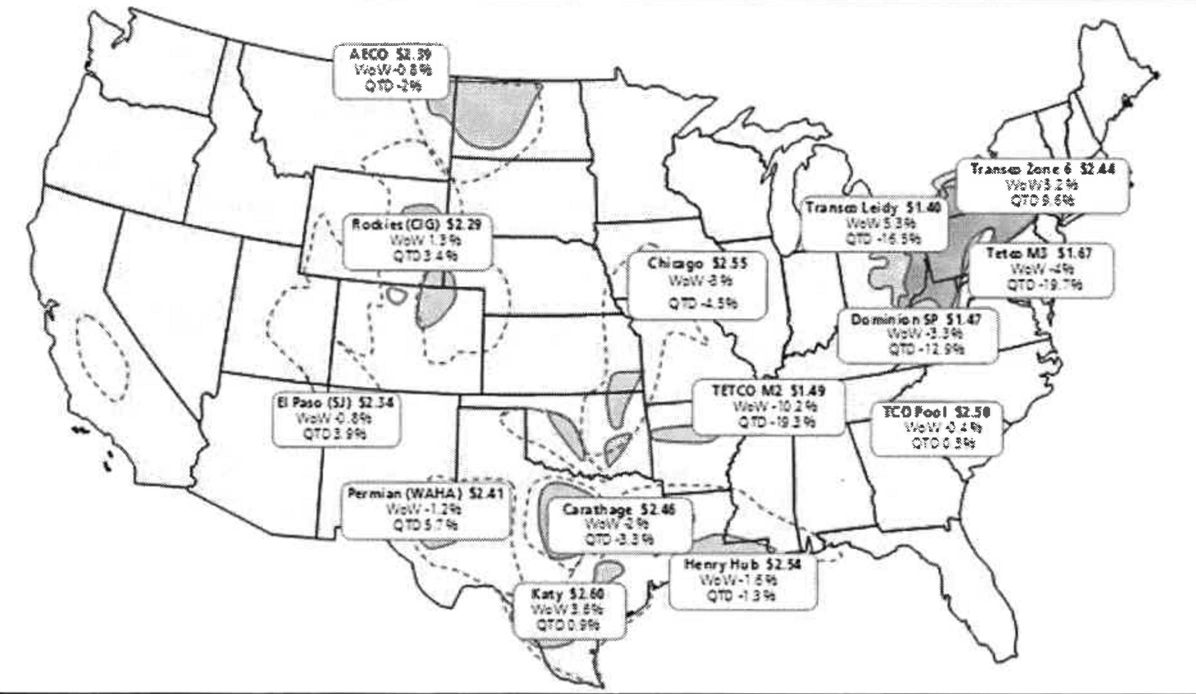
Figure 47: VA Age Distribution



Source: 2010 U.S. Census Data

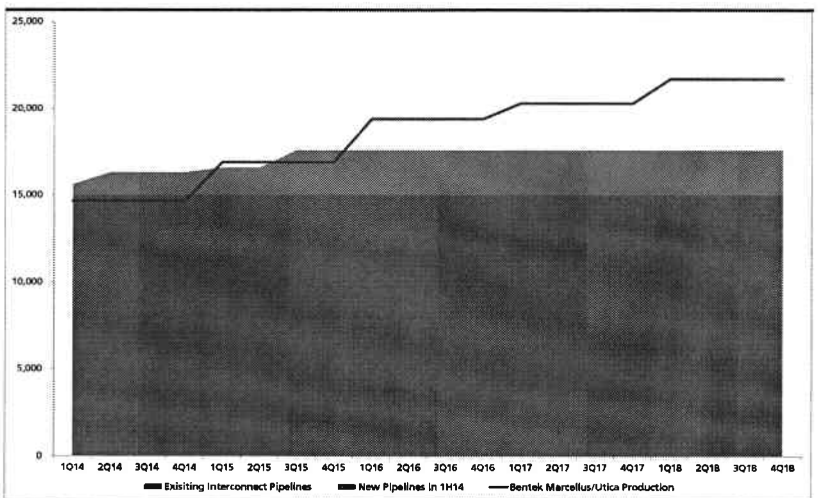
Marcellus & Utica Overview

Figure 48: Natural Gas Differential Map



Source: Bloomberg, Prices are averages as of 4/30/2015

Figure 49: Existing Marcellus Pipeline Versus Forecasted Production



Source: Company Documents, Bentek, UBSe

Figure 50: Marcellus & Utica Pipeline Projects

Name	Operator	Main Line	Project Type	Point(s) of Expansion	Destination	Start-up	2014	2015E	2016E	2017E	2018E
Northeast PA Pipeline Expansion											
Rose Lake Expansion	Kinder Morgan	TGP 300 Line	New Pipeline	Bradford Co., PA	Northeast PA	Nov. 2014	230	230	230	230	230
Northeast Connector	Williams	Transco	Connector	York City, PA	Rockaway, NY	Nov. 2014	65	100	100	100	100
Leidy Southeast	Williams	Transco	Loop	Northeast, PA	Mid-Atlantic Seaboard	4Q15		525	525	525	525
East Side Expansion	NiSource	Columbia	Upgrades	Northeast PA & Northern NJ	Northeast Seaboard	Nov. 2015		312	312	312	312
Niagara Expansion	Kinder Morgan	TGP 200 Line	Loop	Chautauqua Co., N.Y	Niargara, NY	Nov. 2015		158	158	158	158
Northern Access 2015	NFGS	National Fuel	Compressor	Hinsdale, NY / Eden NY	Northeast Seaboard	Nov. 2015		140	140	140	140
Constitution Pipeline	Cabot/Williams	Constitution	New Pipeline	Susquehanna Co., PA	Schohane, NY	3Q16			650	650	650
Northern Access 2016	NFGS	TGP 200 Line	New Pipeline	McKean Co., PA	Erie Co., NY	Nov. 2016			350	350	350
AIM Project	Spectra Energy	AGT	Loop	NY, CT, RI, MA	Boston, MA	Nov. 2016			342	342	342
Rock Springs	Williams	Transco	Lateral	Lancaster Co., PA	Cecil Co., MD	Aug. 2016			192	192	192
Atlantic Sunrise	Williams	Transco	Upgrades	Northeast PA	Fairfax Co., VA	Jul. 2017				725	725
PennEast Pipeline Project	UGI Corp	PennEast	New Pipeline	Luzerne Co., PA	Trenton, NJ	Nov. 2017				1,000	1,000
Atlantic Bridge	Spectra Energy	AGT	Upgrades	Northeast PA	Northeast Seaboard	Nov. 2017				350	350
Diamond East Project	Williams	Transco	Loop	Lycoming / Luzerne, PA	Mercer, NJ	Mid-2018					1,000
Northeast Energy Direct	Kinder Morgan	TGP 300 Line	New Pipeline	Susquehanna Co., PA	Dracut, MA	Nov. 2018					1,700
Total Pipeline Expansion							**295**	**1,465**	**2,999**	**5,074**	**7,774**
Southwest PA/Utica Pipeline Expansion											
Southeast Main Line	TransCanada	ANR	Reversal	Lebanon, OH	Patterson, LA	Various Stages	1,250	2,000	2,000	2,000	2,000
REX East-to-West Reversal	Tall Grass Energy LP	Rockies Express	Reversal	Monroe Co., OH	Missouri	Various Stages	600	1,800	1,800	2,400	2,400
Utica Backhaul	Kinder Morgan	TGP 300 Line	Reversal	Southwest PA	Gulf Coast	Apr. 2014	500	500	500	500	500
TEAM 2014	Spectra Energy	Texas Eastern / AGT	Loop	OH, WV, & PA	Northern NJ	Nov. 2014	600	600	600	600	600
West Side Expansion	NiSource	Columbia	Upgrades	Waynesburg, WV & Smithfield, PA	Leach, KY & Rayne, LA	Nov. 2014	444	984	984	984	984
TEAM South	Spectra Energy	Texas Eastern	Upgrades	Uniontown, PA	Attala Co, NS	Nov. 2014	300	300	300	300	300
Ohio Pipeline Energy Network (OPEN)	Spectra Energy	Texas Eastern	Reversal	Monroe Co., OH	Gulf Coast	4Q15		550	550	550	550
Uniontown to Gas City	Spectra Energy	Texas Eastern	Reversal	Uniontown, PA	Gas City, IN	Nov. 2015		425	425	425	425
ET Rover Project	ETP	Panhandle Eastern	New Pipeline	Defiance, Ohio	Sarnia, Canada / Gulf Coast	1Q17				3,250	3,250
Leach Xpress	NiSource	Columbia	Upgrades	OH, WV, & PA	Leach, KY	2H17				1,250	1,250
NEXUS Project	Spectra Energy	Vector	New Pipeline	Northeastern OH	Southeastern MI	Nov. 2017				1,750	1,750
Gull Markets Expansion	Spectra Energy	Texas Eastern	Reversal	Southwest PA	Southwest PA	Nov. 2017				350	350
Access South Project	Spectra Energy	Texas Eastern	Upgrades	Uniontown, PA	Kosciusko, MS	Nov. 2017				320	320
Adair Southwest Project	Spectra Energy	Texas Eastern	Upgrades	Southwest PA	Adair Co., KY	Nov. 2017				200	200
Mountain Valley Project	EQT	Transco	New Pipeline	Wetzel Co., WV	Pittsylvania Co., VA	4Q18					2,000
Carolina Project	Spectra Energy	Texas Eastern	New Pipeline	Bedford, PA	Fayetteville, NC	4Q18					1,100
Appalachia to Market Project	Spectra Energy	Texas Eastern	Upgrades	Berne, OH	Lambertville, NJ	Nov. 2018					1,000
Western Marcellus Project	Williams	Transco	New Pipeline	Clarington, OH	Station 165, Southern VA	Late-2018					1,500
Atlantic Coast Pipeline	Dominion	Atlantic Coast	New Pipeline	Harrison Co., OH	Greensville Co., VA	Late-2018					1,500
Total Pipeline Expansion							3,694	7,159	7,159	14,879	21,979
Incremental Takeaway							3,989	8,624	10,158	19,953	29,753
YoY Change							*3,989*	*4,635*	*1,534*	*9,795*	*9,800*
Bentek Marcellus/Utica Production Forecast							**15,990**	**20,000**	**23,180**	**25,030**	**27,110**
YoY Growth (MMcfd)							*4,500*	*4,010*	*3,180*	*1,850*	*2,080*

Source: Company Documents, Bentek, UBSe

NiSource Inc. (NI.N)

Income statement (US$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Revenues	**5,085**	**5,657**	**6,473**	**6,636**	*2.5*	**7,071**	*6.6*	**7,446**	**8,124**	**8,576**
Gross profit	3,560	3,842	4,249	4,536	*6.7*	4,786	*5.5*	5,055	5,626	5,967
EBITDA (UBS)	**1,632**	**1,745**	**1,871**	**1,970**	*5.3*	**2,146**	*9.0*	**2,341**	**2,870**	**3,131**
Depreciation & amortisation	(564)	(577)	(605)	(656)	*8.4*	(746)	*13.6*	(838)	(934)	(1,017)
EBIT (UBS)	**1,068**	**1,168**	**1,265**	**1,314**	*3.8*	**1,401**	*6.6*	**1,503**	**1,937**	**2,114**
Associates & investment income	0	0	47	63	*35.4*	68	*7.9*	78	120	120
Other non-operating income	0	0	(24)	(41)	*-67.9*	(46)	*-12.3*	(56)	(97)	(97)
Net interest	(418)	(415)	(444)	(453)	*-2.1*	(512)	*-13.1*	(577)	(638)	(658)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	**650**	**753**	**844**	**883**	*4.7*	**911**	*3.2*	**948**	**1,321**	**1,479**
Tax	(180)	(262)	(330)	(315)	*4.4*	(328)	*-4.0*	(337)	(469)	(525)
Profit after tax	**470**	**491**	**514**	**568**	*10.5*	**583**	*2.7*	**612**	**852**	**954**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	0	0	0	(7)	-	0	-	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**470**	**491**	**514**	**561**	*9.1*	**583**	*4.0*	**612**	**852**	**954**
Net earnings (UBS)	**470**	**491**	**514**	**561**	*9.1*	**583**	*4.0*	**612**	**852**	**954**
Tax rate (%)	27.7	34.8	39.1	35.7	*-8.6*	36.0	*0.8*	35.5	35.5	35.5

Per share (US$)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
EPS (UBS, diluted)	1.57	1.57	1.62	1.77	*8.7*	1.83	*3.7*	1.92	2.66	2.98
EPS (local GAAP, diluted)	1.57	1.57	1.62	1.77	*8.7*	1.83	*3.7*	1.92	2.66	2.98
EPS (UBS, basic)	1.61	1.57	1.63	1.77	*8.6*	1.84	*3.7*	1.92	2.67	3.00
Net DPS (US$)	0.95	0.99	1.03	1.07	*3.9*	1.13	*5.1*	1.19	1.26	1.34
Cash EPS (UBS, diluted)[1]	3.45	3.41	3.54	3.83	*8.3*	4.17	*8.9*	4.54	5.58	6.15
Book value per share	17.93	18.88	19.51	20.75	*6.4*	21.54	*3.8*	22.34	23.81	25.64
Average shares (diluted)	300.08	313.60	316.33	317.58	*0.4*	318.33	*0.2*	319.19	319.99	320.21

Balance sheet (US$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Cash and equivalents	36	27	25	48	*90.9*	50	*3.7*	52	55	56
Other current assets	2,316	2,132	2,441	2,543	*4.2*	2,634	*3.6*	2,729	2,849	2,929
Total current assets	**2,352**	**2,159**	**2,467**	**2,592**	*5.1*	**2,684**	*3.6*	**2,781**	**2,904**	**2,985**
Net tangible fixed assets	12,916	14,365	16,017	17,816	*11.2*	19,815	*11.2*	21,826	23,755	24,612
Net intangible fixed assets	4,058	4,029	3,931	3,928	*-0.1*	3,928	*0.0*	3,928	3,928	3,928
Investments / other assets	2,518	2,100	2,452	2,426	*-1.0*	2,426	*0.0*	2,426	2,426	2,426
Total assets	**21,845**	**22,654**	**24,866**	**26,763**	*7.6*	**28,853**	*7.8*	**30,962**	**33,013**	**33,952**
Trade payables & other ST liabilities	2,018	1,937	2,111	2,786	*32.0*	3,057	*9.7*	3,223	3,384	3,539
Short term debt	1,284	1,241	1,844	824	*-55.31*	886	*7.51*	950	981	902
Total current liabilities	**3,302**	**3,178**	**3,955**	**3,610**	*-8.7*	**3,943**	*9.2*	**4,172**	**4,366**	**4,441**
Long term debt	6,819	7,593	8,156	8,330	*2.1*	8,955	*7.5*	9,602	9,923	9,116
Other long term liabilities	6,170	5,996	6,580	7,303	*11.0*	8,170	*11.9*	9,130	10,178	11,283
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	**16,290**	**16,767**	**18,691**	**19,243**	*3.0*	**21,069**	*9.5*	**22,903**	**24,466**	**24,840**
Common s/h equity	5,554	5,887	6,175	6,574	*6.5*	6,839	*4.0*	7,112	7,601	8,165
Minority interests	0	0	0	946	-	946	*0.0*	946	946	946
Total liabilities & equity	**21,845**	**22,654**	**24,866**	**26,763**	*7.6*	**28,853**	*7.8*	**30,962**	**33,013**	**33,952**

Cash flow (US$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Net income (before pref divs)	470	491	514	561	*9.1*	583	*4.0*	612	852	954
Depreciation & amortisation	564	577	606	656	*8.4*	746	*13.6*	838	934	1,017
Net change in working capital	(30)	55	(139)	497	-	181	*-63.7*	70	41	75
Other operating	304	313	341	751	*120.2*	868	*15.5*	959	1,048	1,105
Operating cash flow	**1,308**	**1,437**	**1,321**	**2,466**	*86.6*	**2,377**	*-3.6*	**2,479**	**2,875**	**3,151**
Tangible capital expenditure	(1,502)	(1,880)	(2,028)	(2,439)	*-20.3*	(2,744)	*-12.5*	(2,849)	(2,862)	(1,874)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	(20)	(125)	(69)	1	-	0	-	0	0	0
Other investing	97	114	(19)	17	-	0	-	0	0	0
Investing cash flow	**(1,425)**	**(1,891)**	**(2,117)**	**(2,421)**	*-14.4*	**(2,744)**	*-13.4*	**(2,849)**	**(2,862)**	**(1,874)**
Equity dividends paid	(273)	(306)	(321)	(339)	*-5.6*	(358)	*-5.5*	(378)	(403)	(430)
Share issues / (buybacks)	384	36	20	1	*-96.0*	40	*NM*	40	40	40
Other financing	(13)	0	0	1,168	-	0	-	0	0	0
Change in debt & pref shares	78	715	1,097	(852)	-	687	-	710	353	(886)
Financing cash flow	**175**	**445**	**796**	**(22)**	-	**369**	-	**372**	**(10)**	**(1,276)**
Cash flow inc/(dec) in cash	**57**	**(10)**	**0**	**23**	-	**2**	*-92.2*	**2**	**2**	**2**
FX / non cash items	(32)	0	(1)	0	-	0	-	0	0	0
Balance sheet inc/(dec) in cash	**25**	**(9)**	**(1)**	**23**	-	**2**	*-92.2*	**2**	**2**	**2**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1]Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

NiSource Inc. (NI.N)

Valuation (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
P/E (local GAAP, diluted)	15.6	18.9	23.3	25.0	24.1	23.0	16.5	14.8
P/E (UBS, diluted)	15.6	18.9	23.3	25.0	24.1	23.0	16.5	14.8
P/CEPS	6.9	8.7	10.7	11.5	10.5	9.7	7.9	7.1
Equity FCF (UBS) yield %	(2.8)	(4.8)	(5.9)	0.2	(2.6)	(2.6)	0.1	9.1
Net dividend yield (%)	3.9	3.3	2.7	2.4	2.6	2.7	2.9	3.0
P/BV x	1.4	1.6	1.9	2.1	2.0	2.0	1.9	1.7
EV/revenues (core)	2.7	2.8	3.0	3.4	3.2	3.1	2.9	2.7
EV/EBITDA (core)	8.4	9.2	10.4	11.5	10.5	10.0	8.3	7.5
EV/EBIT (core)	12.8	13.8	15.4	17.3	16.1	15.5	12.3	11.1
EV/OpFCF (core)	8.4	9.2	10.4	11.5	10.5	10.0	8.3	7.5
EV/op. invested capital	1.2	1.3	1.4	1.6	1.5	1.4	1.4	1.3

Enterprise value (US$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Market cap.	7,051	9,220	11,900	13,988	13,988	13,988	13,988	13,988
Net debt (cash)	8,005	8,437	9,391	9,540	9,448	10,145	10,674	10,406
Buy out of minorities	0	0	0	946	946	946	946	946
Pension provisions/other	1,107	528	676	654	654	654	654	654
Total enterprise value	**16,163**	**18,185**	**21,967**	**25,127**	**25,036**	**25,733**	**26,262**	**25,993**
Non core assets	(2,518)	(2,100)	(2,452)	(2,426)	(2,426)	(2,426)	(2,426)	(2,426)
Core enterprise value	**13,645**	**16,085**	**19,515**	**22,701**	**22,609**	**23,306**	**23,836**	**23,567**

Growth (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenue	-13.1	11.3	14.4	2.5	6.6	5.3	9.1	5.6
EBITDA (UBS)	8.9	6.9	7.2	5.3	9.0	9.1	22.6	9.1
EBIT (UBS)	11.2	9.3	8.3	3.8	6.6	7.3	28.9	9.2
EPS (UBS, diluted)	15.9	0.0	3.7	8.7	3.7	4.6	39.0	11.9
Net DPS	3.3	4.2	4.0	3.9	5.1	5.3	6.3	6.3

Margins & Profitability (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Gross profit margin	70.0	67.9	65.6	68.4	67.7	67.9	69.2	69.6
EBITDA margin	32.1	30.8	28.9	29.7	30.4	31.4	35.3	36.5
EBIT margin	21.0	20.6	19.5	19.8	19.8	20.2	23.8	24.7
Net earnings (UBS) margin	9.2	8.7	7.9	8.5	8.2	8.2	10.5	11.1
ROIC (EBIT)	9.0	9.2	9.2	9.0	9.1	9.2	11.3	12.1
ROIC post tax	6.5	6.0	5.4	5.5	5.6	5.7	6.9	7.4
ROE (UBS)	8.9	8.6	8.5	8.8	8.7	8.8	11.6	12.1

Capital structure & Coverage (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Net debt / EBITDA	4.9	5.0	5.3	4.6	4.6	4.5	3.8	3.2
Net debt / total equity %	145.2	149.6	161.5	121.1	125.8	130.3	126.9	109.3
Net debt / (net debt + total equity) %	59.2	59.9	61.8	54.8	55.7	56.6	55.9	52.2
Net debt/EV %	59.1	54.8	51.1	40.1	43.3	45.0	45.5	42.3
Capex / depreciation %	NM	NM	NM	NM	NM	NM	NM	184.3
Capex / revenue %	29.5	NM	NM	NM	NM	NM	NM	21.9
EBIT / net interest	2.6	2.8	2.9	2.9	2.7	2.6	3.0	3.2
Dividend cover (UBS)	1.7	1.6	1.6	1.7	1.6	1.6	2.1	2.2
Div. payout ratio (UBS) %	59.0	63.0	63.2	60.4	61.3	61.7	47.2	44.7

Revenues by division (US$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	5,085	5,657	6,473	6,636	7,071	7,446	8,124	8,576
Total	**5,085**	**5,657**	**6,473**	**6,636**	**7,071**	**7,446**	**8,124**	**8,576**

EBIT (UBS) by division (US$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	1,068	1,168	1,265	1,314	1,401	1,503	1,937	2,114
Total	**1,068**	**1,168**	**1,265**	**1,314**	**1,401**	**1,503**	**1,937**	**2,114**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+11.2%
Forecast dividend yield	2.5%
Forecast stock return	+13.7%
Market return assumption	5.6%
Forecast excess return	+8.1%

Statement of Risk

Risks include and are not limited to the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects; and ability to continue to reinvest in the businesses for growth.

Required Disclosures

This report has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

Analyst Certification: Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	45%	37%
Neutral	FSR is between -6% and 6% of the MRA.	43%	33%
Sell	FSR is > 6% below the MRA.	12%	20%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 March 2015.
1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES: UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with the NASD and NYSE and therefore are not subject to the restrictions contained in the NASD and NYSE rules on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

UBS Securities LLC: Shneur Z. Gershuni, CFA; Jennifer Hills.

Company Disclosures

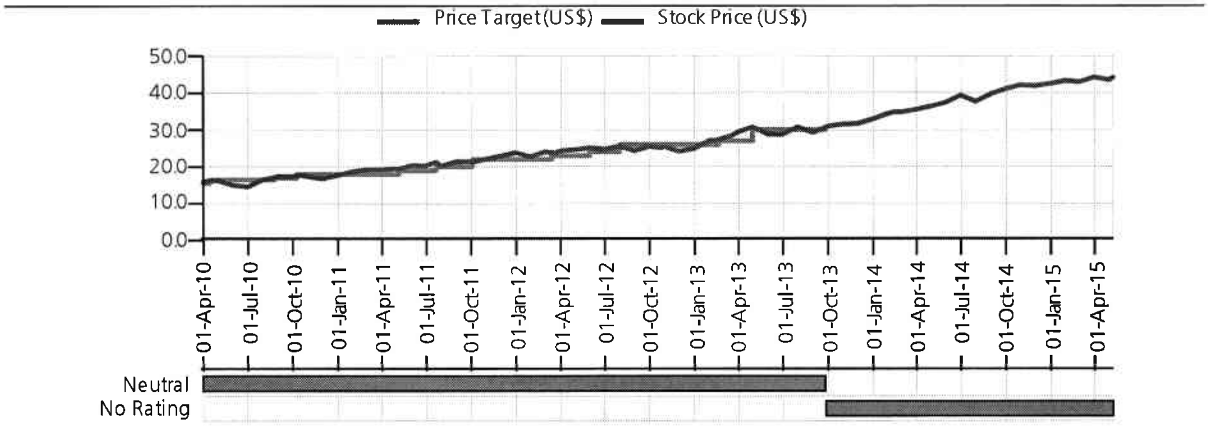
Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
NiSource Inc.[16]	NI.N	Not Rated	N/A	US$44.07	08 May 2015

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

NiSource Inc. (US$)



Source: UBS; as of 08 May 2015

Global Disclaimer

This document has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

Global Research is provided to our clients through UBS Neo, the UBS Client Portal and UBS.com (each a "System"). It may also be made available through third party vendors and distributed by UBS and/or third parties via e-mail or alternative electronic means. The level and types of services provided by Global Research to a client may vary depending upon various factors such as a client's individual preferences as to the frequency and manner of receiving communications, a client's risk profile and investment focus and perspective (e.g. market wide, sector specific, long-term, short-term, etc.), the size and scope of the overall client relationship with UBS and legal and regulatory constraints.

When you receive Global Research through a System, your access and/or use of such Global Research is subject to this Global Research Disclaimer and to the terms of use governing the applicable System.

When you receive Global Research via a third party vendor, e-mail or other electronic means, your use shall be subject to this Global Research Disclaimer and to UBS's Terms of Use/Disclaimer (http://www.ubs.com/global/en/legalinfo2/disclaimer.html). By accessing and/or using Global Research in this manner, you are indicating that you have read and agree to be bound by our Terms of Use/Disclaimer. In addition, you consent to UBS processing your personal data and using cookies in accordance with our Privacy Statement (http://www.ubs.com/global/en/legalinfo2/privacy.html) and cookie notice (http://www.ubs.com/global/en/homepage/cookies/cookie-management.html).

If you receive Global Research, whether through a System or by any other means, you agree that you shall not copy, revise, amend, create a derivative work, transfer to any third party, or in any way commercially exploit any UBS research provided via Global Research or otherwise, and that you shall not extract data from any research or estimates provided to you via Global Research or otherwise, without the prior written consent of UBS.

For access to all available Global Research on UBS Neo and the Client Portal, please contact your UBS sales representative.

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject UBS to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ('the Information'), except with respect to Information concerning UBS. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. UBS does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS. Any statements contained in this report attributed to a third party represent UBS's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates or other market conditions. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument referred to in the document. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither UBS nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by UBS or any other source may yield substantially different results.

This document and the Information are produced by UBS as part of its research function and are provided to you solely for general background information. UBS has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. In no circumstances may this document or any of the Information be used for any of the following purposes:

(i) valuation or accounting purposes;

(ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or

(iii) to measure the performance of any financial instrument.

By receiving this document and the Information you will be deemed to represent and warrant to UBS that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information.

Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this document is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this document. For financial instruments admitted to trading on a non-EU regulated market: UBS may act as a market maker save that where this activity is carried out in the US in accordance with the definition given to it by the relevant laws and regulations, such activity will be specifically disclosed in this document. UBS may have issued a warrant the value of which is based on one or more of the financial instruments referred to in the document. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein; such transactions or positions may be inconsistent with the opinions expressed in this document.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is distributed by UBS Limited to persons who are eligible counterparties or professional clients. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France S.A. UBS Securities France S.A. is regulated by the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this document, the document is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt fur Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Distributed by UBS Limited. No information in this document is provided for the purpose of offering, marketing and sale by any means of any capital market instruments and services in the Republic of Turkey. Therefore, this document may not be considered as an offer made or to be made to residents of the Republic of Turkey. UBS AG is not licensed by the Turkish Capital Market Board under the provisions of the Capital Market Law (Law No. 6362). Accordingly, neither this document nor any other offering material related to the instruments/services may be utilized in connection with providing any capital market services to persons within the Republic of Turkey without the prior approval of the Capital Market Board. However, according to article 15 (d) (ii) of the Decree No. 32, there is no restriction on the purchase or sale of the securities abroad by residents of the Republic of Turkey. **Poland:** Distributed by UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce regulated by the Polish Financial Supervision Authority. Where an analyst of UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce has contributed to this document, the document is also deemed to have been prepared by UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce. **Russia:** Prepared and distributed by UBS Bank (OOO). **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. UBS AG is regulated by the Swiss Financial Market Supervisory Authority (FINMA). **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this document, the document is also deemed to have been prepared by UBS Italia Sim S.p.A. **South Africa:** Distributed by UBS South Africa (Pty) Limited (Registration No. 1995/011140/07), an authorised user of the JSE and an authorised Financial Services Provider (FSP 7328). **Israel:** This material is distributed by UBS Limited. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. UBS Securities Israel Ltd is a licensed Investment Marketer that is supervised by the Israel Securities Authority (ISA). UBS Limited and its affiliates incorporated outside Israel are not licensed under the Israeli Advisory Law. UBS Limited is not covered by insurance as required from a licensee under the Israeli Advisory Law. UBS may engage among others in issuance of Financial Assets or in distribution of Financial Assets of other issuers for fees or other benefits. UBS Limited and its affiliates may prefer various Financial Assets to which they have or may have Affiliation (as such term is defined under the Israeli Advisory Law). Nothing in this Material should be considered as investment advice under the Israeli Advisory Law. This Material is being issued only to and/or is directed only at persons who are Eligible Clients within the meaning of the Israeli Advisory Law, and this material must not be relied on or acted upon by any other persons. **Saudi Arabia:** This document has been issued by UBS AG (and/or any of its subsidiaries, branches or affiliates), a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich. This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority to conduct securities business under license number 08113-37. **Dubai:** The information distributed by UBS AG Dubai Branch is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a **'non-US affiliate'**) to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a document prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this document must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. **Canada:** Distributed by UBS Securities Canada Inc., a registered investment dealer in Canada and a Member-Canadian Investor Protection Fund, or by another affiliate of UBS AG that is registered to conduct business in Canada or is otherwise exempt from registration. **Brazil:** Except as otherwise specified herein, this material is prepared by UBS Brasil CCTVM S.A. to persons who are eligible investors residing in Brazil, which are considered to be: (i) financial institutions, (ii) insurance firms and investment capital companies, (iii) supplementary pension entities, (iv) entities that hold financial investments higher than R$300,000.00 and that confirm the status of qualified investors in written, (v) investment funds, (vi) securities portfolio managers and securities consultants duly authorized by Comissão de Valores Mobiliários (CVM), regarding their own investments, and (vii) social security systems created by the Federal Government, States, and Municipalities. **Hong Kong:** Distributed by UBS Securities Asia Limited and/or UBS AG, Hong Kong Branch. **Singapore:** Distributed by UBS Securities Pte. Ltd. [MCI (P) 016/09/2014 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte. Ltd., an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110); or UBS AG, Singapore Branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or document. The recipients of this document represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **Japan:** Distributed by UBS Securities Japan Co., Ltd. to professional investors (except as otherwise permitted). Where this document has been prepared by UBS Securities Japan Co., Ltd., UBS Securities Japan Co., Ltd. is the author, publisher and distributor of the document. Distributed by UBS AG, Tokyo Branch to Professional Investors (except as otherwise permitted) in relation to foreign exchange and other banking businesses when relevant. **Australia:** Clients of UBS AG: Distributed by UBS AG (Holder of Australian Financial Services License No. 231087). Clients of UBS Securities Australia Ltd: Distributed by UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098). Clients of UBS Wealth Management Australia Ltd: Distributed by UBS Wealth Management Australia Ltd (Holder of Australian Financial Services Licence No. 231127). This Document contains general information and/or general advice only and does not constitute personal financial product advice. As such, the Information in this document has been prepared without taking into account any investor's objectives, financial situation or needs, and investors should, before acting on the Information, consider the appropriateness of the Information, having regard to their objectives, financial situation and needs. If the Information contained in this document relates to the acquisition, or potential acquisition of a particular financial product by a 'Retail' client as defined by section 761G of the Corporations Act 2001 where a Product Disclosure Statement would be required, the retail client should obtain and consider the Product Disclosure Statement relating to the product before making any decision about whether to acquire the product. The UBS Securities Australia Limited Financial Services Guide is available at: www.ubs.com/ecs-research-fsg. **New Zealand:** Distributed by UBS New Zealand Ltd. The information and recommendations in this publication are provided for general information purposes only. To the extent that any such information or recommendations constitute financial advice, they do not take into account any person's particular financial situation or goals. We recommend that recipients seek advice specific to their circumstances from their financial advisor. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This document may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (Capital Markets Services License No.: CMSL/A0063/2007). This material is intended for professional/institutional clients only and not for distribution to any retail clients. **India:** Prepared by UBS Securities India Private Ltd. (Corporate Identity Number U67120MH1996PTC097299) 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000 SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, BSE (Capital Market Segment) INB010951437.

The disclosures contained in research documents produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS

UBS | Global Research | 2 July 2015

NiSource Inc.
And then there was just a utility

Equities
Americas
Gas Utilities

12-month rating	Buy
12m price target	US$19.00
	Prior: US$49.00
Price	US$17.27

RIC: NI.N BBG: NI US

Trading data and key metrics

52-wk range	US$48.72-17.27
Market cap.	US$5.48bn
Shares o/s	317m (COM)
Free float	99%
Avg. daily volume ('000)	620
Avg. daily value (m)	US$27.9
Common s/h equity (12/15E)	US$6.51bn
P/BV (12/15E)	0.8x
Net debt / EBITDA (12/15E)	4.0x

EPS (UBS, diluted) (US$)

	12/15E			
	From	To	% ch	Cons.
Q1	0.85	0.85	0.00	0.85
Q2E	0.26	0.24	-7.47	0.25
Q3E	0.14	(0.13)	-194.40	0.07
Q4E	0.49	0.28	-42.58	0.42
12/15E	1.73	1.23	-28.65	1.53
12/16E	1.83	1.05	-42.51	1.21
12/17E	1.82	1.11	-39.07	1.46

Shneur Z. Gershuni, CFA
Analyst
shneur.gershuni@ubs.com
+1-212-713 3974

Jennifer Hills
Associate Analyst
jennifer.hills@ubs.com
+1-212-713 2928

NI - A Standalone Utility

The spin-out of CPGX from NI is now completed. We have updated our estimates & sum-of-the-parts valuation to exclude CPG. Our $19 PT for the gas and electric utility business assumes that NI will trade at a premium to its peers because of its higher than average anticipated earnings growth as well as the potential to be a take-over target due to its size and the location of its assets (which adds 0.5x to valuation multiple). Based on where shares are currently trading, we do not believe current valuation reflects the potential growth and we maintain our Buy rating post the spin-out of CPGX. Additionally, we expect NI shares to benefit from inclusion in the S&P500.

Above Average Growth Anticipated

We continue to believe that NI's gas and electric utility business will achieve above average earnings growth driven by plans to invest $30bn in utility modernization and growth investments over the next 20 years. This should translate into rate base growth of ~8% CAGR over the next five years and likely at a similar rate throughout the investment cycle. This growth should support mid-single-digit earnings and dividend growth over the next several years. Additionally, we note that NI operates in states that have generally enabled to it to recover costs through trackers and earn returns on investment to update its systems through modernization programs and we anticipate that this will continue.

Reducing Estimates to Reflect Spin-out

We are reducing our 2015/2016/2017 Adj EBITDA estimates to reflect the removal of CPGX to $1.62bn/$1.34bn/$1.43bn from $1.95bn/$2.15bn/$$2.35bn As a result of these changes our 2015/2016/2017 EPS estimates are reduced to $1.23/$1.05/$1.11 from $1.73/$1.83/$1.82. We note that CPGX is included for 2Qs in 2015.

Valuation: $19 Price Target, Buy Rating

We have updated our sum-of-the-parts valuation to exclude CPGX, deriving a $19/share PT. Based on where shares are trading, we do not believe the value of the gas and electric businesses are fully reflected and maintain our Buy rating.

Highlights (US$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	5,085	5,657	6,473	5,959	5,642	5,886	6,133	6,389
EBIT (UBS)	1,068	1,168	1,265	1,058	869	946	1,024	1,102
Net earnings (UBS)	470	491	514	392	334	354	374	395
EPS (UBS, diluted) (US$)	1.57	1.57	1.62	1.23	1.05	1.11	1.17	1.23
DPS (US$)	0.95	0.99	1.03	0.73	0.66	0.70	0.74	0.78
Net (debt) / cash	(8,067)	(8,808)	(9,974)	(6,524)	(7,084)	(7,620)	(8,113)	(8,799)
Profitability/valuation	**12/12**	**12/13**	**12/14**	**12/15E**	**12/16E**	**12/17E**	**12/18E**	**12/19E**
EBIT margin %	21.0	20.6	19.5	17.8	15.4	16.1	16.7	17.2
ROIC (EBIT) %	9.0	9.2	9.2	8.0	6.9	7.1	7.3	7.5
EV/EBITDA (core) x	8.4	9.2	10.4	8.0	8.5	8.4	8.3	8.2
P/E (UBS, diluted) x	15.6	18.9	23.3	14.0	16.5	15.6	14.8	14.0
Equity FCF (UBS) yield %	(2.8)	(4.8)	(5.9)	(1.9)	(7.1)	(6.4)	(5.8)	(9.4)
Net dividend yield %	3.9	3.3	2.7	4.2	3.8	4.1	4.3	4.5

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US$17.27 on 02 Jul 2015 10:42 EDT

www.ubs.com/investmentresearch

Figure 1: Sum-of-the-Parts Valuation

Operational Unit	2015E EBITDA	Multiple	Value
Gas Utilities	$751	9.8x	$7,362
Electric Utilities	$510	10.0x	$5,098
		Total	$ 12,460
		Less Net Debt	$ (6,553)
		Total Equity	$ 5,907
		Shares Outstanding	317.8
		Value Per Share (12-months)	**$19.00**

Source: UBSe

Figure 2: Comparable Company Valuation

Company	Price 7/2/2015	Market Cap ($MM)	Enterprise Value	Annual Dividend	2-Yr CAGR	Dividend Yield	EPS 2015	EPS 2016	3-Yr CAGR	P/E 2015	P/E 2016	EV/EBITDA 2015	EV/EBITDA 2016
Regulated & Diversified Electric Utilities													
American Electric Power Co.	$52.91	$25,923	$45,264	$2.03	4.8%	3.8%	$3.53	$3.70	4.6%	15.0x	14.3x	8.4x	8.4x
Ameren Corp	$37.73	$9,155	$16,484	$1.61	5.8%	4.3%	$2.55	$2.68	5.9%	14.8x	14.1x	7.7x	7.7x
CMS Energy	$31.81	$8,805	$17,039	$1.08	6.7%	3.4%	$1.88	$2.01	6.7%	16.9x	15.9x	8.8x	8.8x
Dominion Resources, Inc.	$67.27	$39,923	$66,188	$2.40	7.5%	3.6%	$3.69	$3.87	5.9%	18.3x	17.4x	11.8x	11.8x
DTE Energy Company	$74.96	$13,443	$22,163	$2.69	5.0%	3.6%	$4.64	$4.92	4.4%	16.2x	15.2x	8.5x	8.5x
Duke Energy Corp.	$71.00	$49,099	$91,246	$3.15	3.9%	4.4%	$4.66	$4.93	4.4%	15.2x	14.4x	9.8x	9.8x
Wisconsin Energy Corp	$46.21	$10,420	$15,628	$1.56	7.1%	3.4%	$2.71	$2.88	5.5%	17.0x	16.0x	10.0x	10.0x
Xcel Energy Inc.	$32.24	$16,343	$28,912	$1.20	5.0%	3.7%	$2.09	$2.22	5.1%	15.5x	14.5x	9.0x	9.0x
Electric Utilities Average		$21,639	$37,865	$1.97	5.7%	3.8%			5.3%	16.1x	15.2x	9.3x	9.3x

Company	Price 7/2/2015	Market Cap ($MM)	Enterprise Value	Annual Dividend	2-Yr CAGR	Dividend Yield	EPS 2015	EPS 2016	3-Yr CAGR	P/E 2015	P/E 2016	EV/EBITDA 2015	EV/EBITDA 2016
Gas Utilities													
AGL Resources, Inc.	$47.47	$5,693	$9,602	$1.96	3.8%	4.1%	$2.98	$3.04	-12.3%	15.9x	15.6x	8.3x	8.3x
Atmos Energy Corp.	$51.75	$5,228	$7,850	$1.48	7.7%	2.9%	$3.03	$3.22	5.7%	17.1x	16.1x	8.7x	8.7x
Questar	$21.34	$3,750	$5,259	$0.75	4.0%	3.5%	$1.28	$1.34	2.3%	16.6x	15.9x	8.5x	8.5x
UGI Corp.	$35.07	$6,050	$10,223	$0.73	4.9%	2.1%	$1.98	$2.16	4.2%	17.7x	16.3x	8.1x	8.1x
Gas Utilities Average		$5,180	$8,234	$1.23	5.1%	3.1%			0.0%	16.8x	16.0x	8.4x	8.4x
NiSource, Inc.	$19.00	$6,038	$12,593	$0.66	6.5%	3.5%	$1.02	$1.09	6.9%	18.7x	17.5x	9.9x	9.4x

Source: UBSe, FactSet

Figure 3: Model Summary

($ in Millions)	2013	2014	1Q15	2Q15e	3Q15e	4Q15e	2015e	2016e	2017e	2018e	2019e
	365	365	90	91	92	92	365	366	365	365	365
Operating Data											
Customers (000)											
Gas Utilities Customers	3,369	3,388	3,404	3,357	3,339	3,408	3,408	3,428	3,448	3,468	3,489
Electric Customers	460	461	461	461	461	463	463	466	468	470	473
Income Statement											
Revenues	**$ 5,657.3**	**$ 6,473.3**	**$ 2,149.7**	**$ 1,442.1**	**$ 891.2**	**$ 1,475.8**	**$ 5,958.8**	**$ 5,641.6**	**$ 5,885.9**	**$ 6,133.1**	**$ 6,389.2**
Operating costs & expenses											
(Cost of Sales)	$ (1,815.5)	$ (2,224.3)	$ (806.0)	$ (418.3)	$ (287.3)	$ (662.1)	$ (2,173.7)	$ (2,432.4)	$ (2,537.7)	$ (2,644.3)	$ (2,754.3)
(Operating & Maintenance Expenses)	$ (1,873.9)	$ (2,126.0)	$ (574.1)	$ (576.2)	$ (368.9)	$ (393.5)	$ (1,912.6)	$ (1,586.5)	$ (1,631.5)	$ (1,677.8)	$ (1,728.1)
(Depreciation & Amortization)	$ (577.3)	$ (605.5)	$ (157.5)	$ (160.9)	$ (118.9)	$ (118.5)	$ (555.8)	$ (475.7)	$ (480.5)	$ (485.4)	$ (490.5)
Gain on the Sale of Assets	$ 17.5	$ 21.2	$ 5.0	$ 5.3	$ -	$ -	$ 10.3	$ -	$ -	$ -	$ -
(Other Taxes)	$ (300.6)	$ (320.3)	$ (102.4)	$ (76.5)	$ (53.1)	$ (61.0)	$ (293.0)	$ (264.0)	$ (274.4)	$ (285.0)	$ (296.0)
Equity Earnings in Unconsolidated Affilates	$ 35.9	$ 46.6	$ 15.4	$ 14.9	$ -	$ -	$ 30.3	$ -	$ -	$ -	$ -
Total Operating Expenses	**$ (4,513.9)**	**$ (5,208.3)**	**$ (1,619.6)**	**$ (1,211.6)**	**$ (828.1)**	**$ (1,235.2)**	**$ (4,894.5)**	**$ (4,758.6)**	**$ (4,924.2)**	**$ (5,092.5)**	**$ (5,268.8)**
Operating Income By Division											
Gas Distribution	$ 445.4	$ 537.0	$ 325.2	$ 48.4	$ (13.8)	$ 176.6	$ 536.4	$ 588.0	$ 643.8	$ 699.7	$ 755.7
Transmission & Storage	$ 441.4	$ 490.7	$ 163.0	$ 133.8	$ -	$ -	$ 296.8	$ -	$ -	$ -	$ -
Electric Operations	$ 265.5	$ 282.7	$ 70.0	$ 62.6	$ 76.9	$ 64.0	$ 273.6	$ 295.0	$ 318.0	$ 341.0	$ 364.7
Corporate & Eliminations	$ (8.9)	$ (45.4)	$ (28.1)	$ (14.3)	$ (3.3)	$ (3.3)	$ (49.0)	$ (14.4)	$ (15.5)	$ (16.8)	$ (18.4)
Total Operating Income	**$ 1,143.4**	**$ 1,265.0**	**$ 530.1**	**$ 230.5**	**$ 59.8**	**$ 237.3**	**$ 1,057.7**	**$ 868.6**	**$ 946.3**	**$ 1,023.9**	**$ 1,101.9**
EBITDA	**$ 1,720.7**	**$ 1,870.5**	**$ 687.6**	**$ 391.4**	**$ 178.7**	**$ 355.8**	**$ 1,613.6**	**$ 1,344.4**	**$ 1,426.8**	**$ 1,509.3**	**$ 1,592.4**
Other expenses											
Interest Expense	$ (414.8)	$ (443.6)	$ (111.0)	$ (119.9)	$ (125.8)	$ (94.0)	$ (450.7)	$ (334.2)	$ (379.4)	$ (425.8)	$ (470.5)
Other Expense (Income)	$ 24.2	$ 22.3	$ 7.1	$ 7.1	$ -	$ -	$ 14.2	$ -	$ -	$ -	$ -
Total Other Expenses	**$ (390.6)**	**$ (421.3)**	**$ (103.9)**	**$ (112.8)**	**$ (125.8)**	**$ (94.0)**	**$ (436.5)**	**$ (334.2)**	**$ (379.4)**	**$ (425.8)**	**$ (470.5)**
Income from Before Income Taxes	**$ 752.8**	**$ 843.7**	**$ 426.2**	**$ 117.7**	**$ (66.0)**	**$ 143.3**	**$ 621.2**	**$ 534.5**	**$ 566.9**	**$ 598.1**	**$ 631.5**
Income Taxes	$ (261.7)	$ (329.8)	$ (150.9)	$ (42.4)	$ 24.7	$ (53.7)	$ (222.3)	$ (200.4)	$ (212.6)	$ (224.3)	$ (236.8)
Effective Tax Rate	34.8%	39.1%	35.4%	36.0%	37.5%	37.5%	35.8%	37.5%	37.5%	37.5%	37.5%
Net income	**$ 491.1**	**$ 513.9**	**$ 268.4**	**$ 75.3**	**$ (41.2)**	**$ 89.6**	**$ 392.0**	**$ 334.1**	**$ 354.3**	**$ 373.8**	**$ 394.7**
Diluted Weighted Avg Number of Common U	$ 312.4	$ 315.1	$ 316.6	$ 316.7	$ 316.8	$ 317.0	$ 316.8	$ 317.5	$ 318.4	$ 319.4	$ 320.8
EPS	**$ 1.57**	**$ 1.62**	**$ 0.85**	**$ 0.24**	**$ (0.13)**	**$ 0.28**	**$ 1.23**	**$ 1.05**	**$ 1.11**	**$ 1.17**	**$ 1.23**

Source: UBSe, Company Reports

Forecast returns

Forecast price appreciation	+10.0%
Forecast dividend yield	3.7%
Forecast stock return	+13.7%
Market return assumption	5.7%
Forecast excess return	+8.0%

Statement of Risk

Risks include and are not limited to the following: changes to the regulatory environment, ability to achieve favorable returns on investment projects; and ability to continue to reinvest in the businesses for growth.

Required Disclosures

This report has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

Analyst Certification: Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	45%	37%
Neutral	FSR is between -6% and 6% of the MRA.	43%	33%
Sell	FSR is > 6% below the MRA.	12%	20%
Short-Term Rating	**Definition**	**Coverage[3]**	**IB Services[4]**
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 March 2015.
1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES: UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with the NASD and NYSE and therefore are not subject to the restrictions contained in the NASD and NYSE rules on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

UBS Securities LLC: Shneur Z. Gershuni, CFA; Jennifer Hills.

Company Disclosures

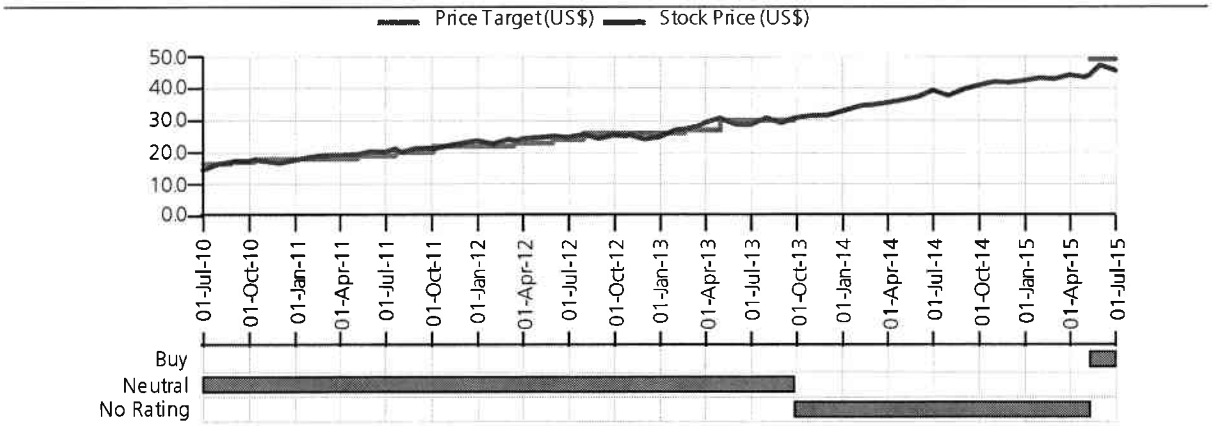
Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
NiSource Inc.[16]	NI.N	Buy	N/A	US$45.45	01 Jul 2015

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

NiSource Inc. (US$)



Source: UBS; as of 01 Jul 2015

Global Disclaimer

This document has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

Global Research is provided to our clients through UBS Neo, the UBS Client Portal and UBS.com (each a "System"). It may also be made available through third party vendors and distributed by UBS and/or third parties via e-mail or alternative electronic means. The level and types of services provided by Global Research to a client may vary depending upon various factors such as a client's individual preferences as to the frequency and manner of receiving communications, a client's risk profile and investment focus and perspective (e.g. market wide, sector specific, long-term, short-term, etc.), the size and scope of the overall client relationship with UBS and legal and regulatory constraints.

When you receive Global Research through a System, your access and/or use of such Global Research is subject to this Global Research Disclaimer and to the terms of use governing the applicable System.

When you receive Global Research via a third party vendor, e-mail or other electronic means, your use shall be subject to this Global Research Disclaimer and to UBS's Terms of Use/Disclaimer (http://www.ubs.com/global/en/legalinfo2/disclaimer.html). By accessing and/or using Global Research in this manner, you are indicating that you have read and agree to be bound by our Terms of Use/Disclaimer. In addition, you consent to UBS processing your personal data and using cookies in accordance with our Privacy Statement (http://www.ubs.com/global/en/legalinfo2/privacy.html) and cookie notice (http://www.ubs.com/global/en/homepage/cookies/cookie-management.html).

If you receive Global Research, whether through a System or by any other means, you agree that you shall not copy, revise, amend, create a derivative work, transfer to any third party, or in any way commercially exploit any UBS research provided via Global Research or otherwise, and that you shall not extract data from any research or estimates provided to you via Global Research or otherwise, without the prior written consent of UBS.

For access to all available Global Research on UBS Neo and the Client Portal, please contact your UBS sales representative.

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject UBS to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ('the Information'), except with respect to Information concerning UBS. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. UBS does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS. Any statements contained in this report attributed to a third party represent UBS's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates or other market conditions. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument referred to in the document. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither UBS nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by UBS or any other source may yield substantially different results.

This document and the Information are produced by UBS as part of its research function and are provided to you solely for general background information. UBS has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. In no circumstances may this document or any of the Information be used for any of the following purposes:

(i) valuation or accounting purposes;

(ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or

(iii) to measure the performance of any financial instrument.

By receiving this document and the Information you will be deemed to represent and warrant to UBS that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information.

Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this document is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this document. For financial instruments admitted to trading on a non-EU regulated market: UBS may act as a market maker save that where this activity is carried out in the US in accordance with the definition given to it by the relevant laws and regulations, such activity will be specifically disclosed in this document. UBS may have issued a warrant the value of which is based on one or more of the financial instruments referred to in the document. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein; such transactions or positions may be inconsistent with the opinions expressed in this document.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is distributed by UBS Limited to persons who are eligible counterparties or professional clients. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France S.A. UBS Securities France S.A. is regulated by the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this document, the document is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt fur Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Distributed by UBS Limited. No information in this document is provided for the purpose of offering, marketing and sale by any means of any capital market instruments and services in the Republic of Turkey. Therefore, this document may not be considered as an offer made or to be made to residents of the Republic of Turkey. UBS AG is not licensed by the Turkish Capital Market Board under the provisions of the Capital Market Law (Law No. 6362). Accordingly, neither this document nor any other offering material related to the instruments/services may be utilized in connection with providing any capital market services to persons within the Republic of Turkey without the prior approval of the Capital Market Board. However, according to article 15 (d) (ii) of the Decree No. 32, there is no restriction on the purchase or sale of the securities abroad by residents of the Republic of Turkey. **Poland:** Distributed by UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce regulated by the Polish Financial Supervision Authority. Where an analyst of UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce has contributed to this document, the document is also deemed to have been prepared by UBS Limited (spolka z ograniczona odpowiedzialnoscia) Oddzial w Polsce. **Russia:** Prepared and distributed by UBS Bank (OOO). **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. UBS AG is regulated by the Swiss Financial Market Supervisory Authority (FINMA). **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this document, the document is also deemed to have been prepared by UBS Italia Sim S.p.A. **South Africa:** Distributed by UBS South Africa (Pty) Limited (Registration No. 1995/011140/07), an authorised user of the JSE and an authorised Financial Services Provider (FSP 7328). **Israel:** This material is distributed by UBS Limited. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. UBS Securities Israel Ltd is a licensed Investment Marketer that is supervised by the Israel Securities Authority (ISA). UBS Limited and its affiliates incorporated outside Israel are not licensed under the Israeli Advisory Law. UBS Limited is not covered by insurance as required from a licensee under the Israeli Advisory Law. UBS may engage among others in issuance of Financial Assets or in distribution of Financial Assets of other issuers for fees or other benefits. UBS Limited and its affiliates may prefer various Financial Assets to which they have or may have Affiliation (as such term is defined under the Israeli Advisory Law). Nothing in this Material should be considered as investment advice under the Israeli Advisory Law. This Material is being issued only to and/or is directed only at persons who are Eligible Clients within the meaning of the Israeli Advisory Law, and this material must not be relied on or acted upon by any other persons. **Saudi Arabia:** This document has been issued by UBS AG (and/or any of its subsidiaries, branches or affiliates), a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich. This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority to conduct securities business under license number 08113-37. **Dubai:** The information distributed by UBS AG Dubai Branch is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a **'non-US affiliate'**) to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a document prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this document must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. **Canada:** Distributed by UBS Securities Canada Inc., a registered investment dealer in Canada and a Member-Canadian Investor Protection Fund, or by another affiliate of UBS AG that is registered to conduct business in Canada or is otherwise exempt from registration. **Brazil:** Except as otherwise specified herein, this material is prepared by UBS Brasil CCTVM S.A. to persons who are eligible investors residing in Brazil, which are considered to be: (i) financial institutions, (ii) insurance firms and investment capital companies, (iii) supplementary pension entities, (iv) entities that hold financial investments higher than R$300,000.00 and that confirm the status of qualified investors in written, (v) investment funds, (vi) securities portfolio managers and securities consultants duly authorized by Comissão de Valores Mobiliários (CVM), regarding their own investments, and (vii) social security systems created by the Federal Government, States, and Municipalities. **Hong Kong:** Distributed by UBS Securities Asia Limited and/or UBS AG, Hong Kong Branch. **Singapore:** Distributed by UBS Securities Pte. Ltd. [MCI (P) 016/09/2014 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte. Ltd., an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110); or UBS AG, Singapore Branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or document. The recipients of this document represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **Japan:** Distributed by UBS Securities Japan Co., Ltd. to professional investors (except as otherwise permitted). Where this document has been prepared by UBS Securities Japan Co., Ltd., UBS Securities Japan Co., Ltd. is the author, publisher and distributor of the document. Distributed by UBS AG, Tokyo Branch to Professional Investors (except as otherwise permitted) in relation to foreign exchange and other banking businesses when relevant. **Australia:** Clients of UBS AG: Distributed by UBS AG (Holder of Australian Financial Services License No. 231087). Clients of UBS Securities Australia Ltd: Distributed by UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098). Clients of UBS Wealth Management Australia Ltd: Distributed by UBS Wealth Management Australia Ltd (Holder of Australian Financial Services Licence No. 231127). This Document contains general information and/or general advice only and does not constitute personal financial product advice. As such, the Information in this document has been prepared without taking into account any investor's objectives, financial situation or needs, and investors should, before acting on the Information, consider the appropriateness of the Information, having regard to their objectives, financial situation and needs. If the Information contained in this document relates to the acquisition, or potential acquisition of a particular financial product by a 'Retail' client as defined by section 761G of the Corporations Act 2001 where a Product Disclosure Statement would be required, the retail client should obtain and consider the Product Disclosure Statement relating to the product before making any decision about whether to acquire the product. The UBS Securities Australia Limited Financial Services Guide is available at: www.ubs.com/ecs-research-fsg. **New Zealand:** Distributed by UBS New Zealand Ltd. The information and recommendations in this publication are provided for general information purposes only. To the extent that any such information or recommendations constitute financial advice, they do not take into account any person's particular financial situation or goals. We recommend that recipients seek advice specific to their circumstances from their financial advisor. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This document may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (Capital Markets Services License No.: CMSL/A0063/2007). This material is intended for professional/institutional clients only and not for distribution to any retail clients. **India:** Prepared by UBS Securities India Private Ltd. (Corporate Identity Number U67120MH1996PTC097299) 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000. It provides brokerage services bearing SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, NSE (Currency Derivatives Segment) INE230951431, BSE (Capital Market Segment) INB010951437; merchant banking services bearing SEBI Registration Number: INM000010809 and research services. UBS AG, its affiliates or subsidiaries may have debt holdings or positions in the subject Indian company/companies. Within the past 12 months, UBS AG, its affiliates or subsidiaries may have received compensation for non-investment banking securities-related services and/or non-securities services from the subject Indian company/companies. With regard to information on associates, please refer Annual Report at: http://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting.html

The disclosures contained in research documents produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS

U.S. Capital Advisors

USCA Equity Research

NI – June 16, 2015

NiSource, Inc.
(NI - Post Spin)

Target Price:	**$20**
Recommendation:	**Not Rated**

KEY STATS

FY15E EPS:	$1.05
FY16E EPS:	$1.12
Dividend:	$0.62
Equity / Cap (FY15):	35%
Rate Base:	$8.0B
Capex (FY15):	$1.3B
EPS CAGR (2015-2017):	5%
DIV CAGR (2015-2017):	6%
LT EPS Growth Target:	5%

ANALYST CONTACTS

Daniel Fidell
Managing Director
636-812-2270
dfidell@uscallc.com

Sarika Patel
Research Analyst
713-366-0559
spatel@uscallc.com

The New NiSource, Inc. (NI)

A New Blue-Chip, Stand-Alone Utility With Infrastructure Growth Focus

Summary

- In 2014, NI announced plans to separate its pipeline segment, Columbia Pipeline Group (CPG), through a tax-free spin-off to NI shareholders. NI's Board approved the spin-off in early June. NI shareholders of record at the close of business on July 1 will receive one share of CPG for every one share of NI stock owned. The new NI, a standalone gas and electric utility, is expected to begin trading on a when-issued basis on June 17. CPG shares will be distributed following the close of business on July 1, with both NI and CPG shares expected to begin regular-way trading on July 2.
- Following separation, NI will be a pure-play utility with a ~$8B rate base operating in two core segments: a regulated gas utility (~65% of total EPS) and a regulated electric utility (~35%). The gas utility serves ~3.5mm customers across seven states including OH, IN, PA, MA, VA, KY, and MD. The electric utility serves ~0.5mm customers in IN.
- The new NI is targeting 4-6%/yr EPS growth, 6-8%/yr rate base growth, dividend growth in line with EPS growth, and a dividend payout ratio of 60-70%.
- Note, until the spin is completed, the current NI will be covered by USCA Midstream team. Post spin, the team will transfer coverage to our utility team and CPG will be covered by our midstream team.

Investment Thesis

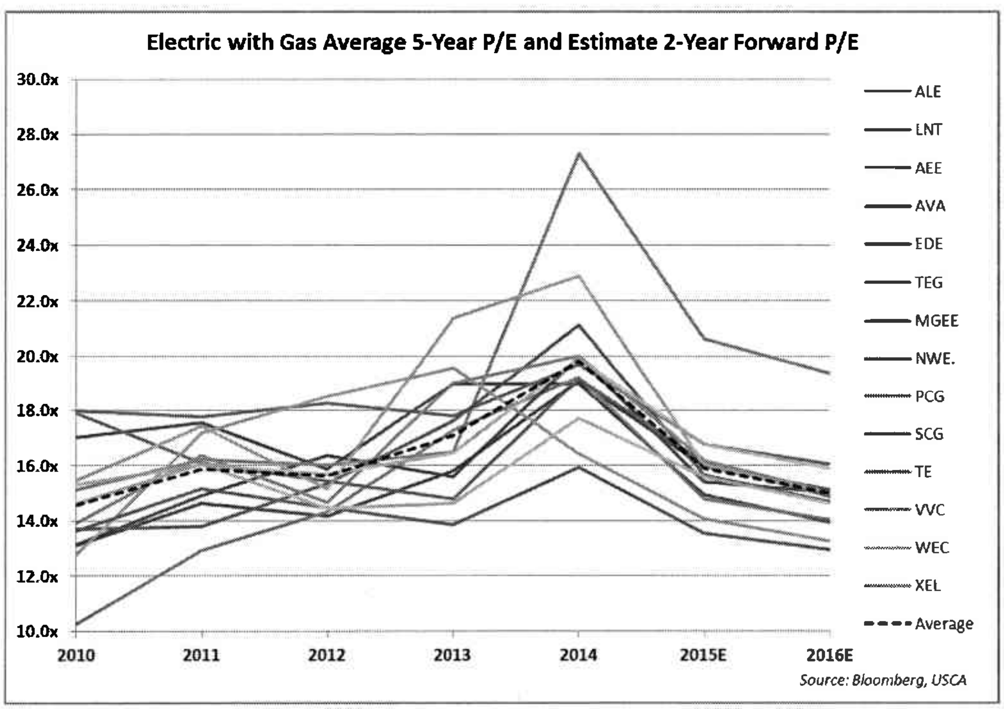
- This note is intended to highlight the value we see in the new, stand-alone NI, outline their growth prospects and base business profile, and highlight peer valuations. It is unusual in that we are not formally initiating coverage since the new NI has not yet begun trading.
- We see the fair value of new NI at $20/sh, using an equal combination of relative (P/E, EV/EBITDA) and absolute metrics. Given their pure-play nature, high capex with trackers, and experienced management, we think new NI should warrant a premium valuation relative to their peers. Our opinion is only modestly tempered by a more levered balance sheet than its peers, but still sufficient to support investment grade credit ratings. We value new NI at a 17x P/E multiple and 8.5x EV/EBITDA, vs. a peer group which trades at 13-18x P/E multiples and 7-9x EV/EBITDA.
- **Targeted Growth In line with Peers...**New NI is targeting 4-6% EPS and dividend growth, in-line with industry peer-group averages.
- **...But Looks Conservative:** But we think that growth is likely conservative. Rate base growth alone should get them to their targeted levels. New NI plans to spend $1.4B/yr in capex compared with DD&A of ~$500mm/yr and a ~$8B rate base. Notably, both gas and electric targeted spending plans have upside potential from additional modernization and generation enhancements not yet in the plan. In addition, we see modest rate relief and faster customer growth (propane adds in IN and oil converts in MA) benefiting results over the near term.

** Important Disclosures on pages 10-11 of this report **

- **M&A Kicker:** Longer-term, we view new NI as a potential takeover candidate, given its size, geography and highly-visible growth optics (discussed in detail later in this report).

Valuation

- Over the last decade, LDCs have traded at 13-18x P/E and 7-9x EV/EBITDA. In recent years, they have traded at the higher end of the range given historically low interest rates and investor concerns over sluggish economic growth. With modest economic improvement and the Fed hinting at higher interest rates near term, we think mid-cycle sector P/E of ~16x and EV/EBITDA of ~8x are justified for the sector on average (see chart below).
- Historically, the market has afforded higher relative multiples to utilities with greater percentages of regulated earnings given the perception of enhanced consistency in cash flows and earnings. We think higher-end multiples are warranted for new NI given the 100% pure play nature of its assets and solid utility fundamentals, including rate trackers across all of its jurisdictions (see chart on pg. 3).
- Our $20/sh fair value estimate is based on a methodology using an equal combination of relative metrics (P/E, EV/EBITDA - $20) and absolute metrics (Dividend Discount Model - $20).
- Our relative value of $20/share is based on a 17x P/E multiple on FY17 EPS of $1.20 ($20/sh) and an 8.5x multiple on EV/FY17 EBITDA of ~$1.5B ($20/sh). Our absolute value of $20/share assumes a risk-free rate of 4.5%, an equity risk premium of 450 bps, in-line with heavily regulated peers, and long-term EPS growth of 6%.
- Among many risks to our valuation assumptions, we note regulatory uncertainty, execution risk on infrastructure enhancement, potential for rising interest rates, modest weather sensitivity, and expected need to regularly access the capital markets.



Operations Overview

Gas Distribution (~65% of Operating Earnings)

- **Overview.** NiSource's gas distribution segment serves ~3.3mm customers in seven states and operates ~58k miles of distribution pipeline, with a total rate base of ~$5B. NI owns six LDCs that distribute gas to ~2.7mm customers under the name "Columbia Gas" to residential, commercial and industrial customers in OH, PA, MA, VA, KY, and MD. NI also owns an LDC that distributes gas to ~0.8mm customers under the name "NIPSCO" to customers in IN.
- **Customers.** Ohio and Indiana are NI's two largest jurisdictions, representing ~2/3 of total customer base. Overall, customer mix and margin is ~90% residential, ~8% commercial and ~2% industrial, with ~75% of total revenue tracked under regulatory riders for timely recovery regardless of throughput. Historically, gas customer growth has averaged ~0.5%, below the ~1% peer average, given a heavily-saturated, largely Midwestern service area. We expect similar below-average gas customer growth in future years, excluding acquisitions.
- **Regulation.** In recent years, NI has successfully achieved important regulatory approved revenue and spending trackers across its multi-state jurisdictions. A table outlining NI's key gas utility stats is shown below. Among these are decoupling riders which largely smooth revenue variability, and infrastructure trackers, which minimize regulatory lag and allow for accelerated infrastructure replacement and modernization. Most recently in 2014, a $0.8B system modernization plan over seven years was authorized in IN. At present, NI has infrastructure trackers in all of its jurisdictions.
- **Rate Base Growth.** With the regulatory groundwork now complete, the stage is set for NI to spend ~$15B (~$0.6B+ annually) over the next 20 years at their gas utilities, primarily on system modernization. NI has formally targeted~$20B in gas system spending over 20 years, implying ~$5B in additional spending potential. For utilities, spending = rate base growth = earnings. ***Assuming NI spends ~$0.6B+ annually over the next five years on a ~$5B current rate base, we see gas rate base growing ~8%+, modestly above the high end of NI's targeted 6-8% rate base growth guidance.***

	Rate Base				Infrastructure Replacement					Regulatory Trackers							
LDC	Customers	Rate Base (mm)	Authorized ROE	Equity Cap	Total Pipe (Miles)	Bare Steel / Cast Iron (Miles)	Annual Investment	Total Investment Opportunity (mm)	Program Length (Yrs)	Infrastructure Tracker	Fixed Rate Design Coverage	Decoupling	Weather Norm	Bad Debt	Pension	Environ Clean-Up	Energy Efficiency
Columbia Gas of Ohio	1,400,000	$1,700	10.4%	NA	20,000	3,000	$186	$4,100	20-25	Yes	100%	Yes	Yes	Yes	Yes	Yes	Yes
NIPSCO Gas	800,000	$800	9.9%	46%	17,000	35	$100	$4,500	20-25	Yes	60%	No	No	Yes	No	Yes	Yes
Columbia Gas of Pennsylvania	420,000	$1,100	NA	NA	7,400	1,700	$156	$3,000	15-20	Yes	50%	No	Yes	Yes	Yes	No	Yes
Columbia Gas of Massachusetts	300,000	$600	9.5%	54%	5,000	1,000	$57	$1,400	15-20	Yes	30%	Yes	Yes	Yes	Yes	Yes	Yes
Columbia Gas of Virginia	250,000	$530	10.1%	43%	5,000	200	$25	$550	NA	Yes	55%	Yes	Yes	Yes	No	Yes	Yes
Columbia Gas of Kentucky	135,000	$240	NA	NA	2,600	430	$13	$750	25-30	Yes	60%	No	Yes	Yes	No	No	Yes
Columbia Gas of Maryland	33,000	$60	9.6%	54%	750	95	$10	$200	15-20	Yes	35%	Yes	Yes	Yes	Yes	Yes	Yes
Total	*3,338,000*	*5,030*	*9.9%*	*49.1%*	*57,750*	*6,460*	*$547*	*$14,500*	*20*		*>80%*						

Source: USCA and Company Reports

Key Catalysts By LDC

- **Columbia Gas of OH:** With a straight-fixed variable (SFV) rate design and trackers across the board, key focus on annual Infrastructure Replacement Program (IRP) filing each February to "true-up" tracker each May.
- **NIPSCO Gas:** High visibility after recent passage of legislation in Indiana (SB 560) to recover gas modernization costs in a timely manner. Current $0.8B program over seven years is only the first of a longer-term program going out 20+years. Along with fixed cost recovery for sizable 60% of residential distribution rate, key focus on semi-annual Infrastructure program (TDSIC) filings each March and September, for true-ups in June and December, respectively. Customer growth upside potential through expansions to serve rural propane customers.

- **Columbia Gas of PA:** Frequent general rate case filings each March required to recover infrastructure and other costs effective each January 1. At present, pending case seeking $46mm rate hike based on 10.95% ROE and 52% equity structure, with final order expected in 12/15.
- **Columbia Gas of MA:** With full decoupling, key focus on annual Infrastructure Program filing each October to "true-up" tracker each May. On 4/15, filed general rate case seeking $10mm rate hike based on 10.95% ROE and 54% equity structure, with final order expected in 2/16. Customer growth upside potential from oil conversions.
- **Columbia Gas of VA:** With full revenue normalization, key focus on annual Infrastructure Program filing each July to "true-up" tracker each January. On 4/14, filed general rate case seeking $32mm rate hike based on 10.9% ROE and 43% equity structure, with final order expected by 6/30/15.
- **Columbia Gas of MD:** With full revenue normalization, key focus on annual Infrastructure Program filing each November to "true-up" tracker each January.

Electric Operations (~35% of Operating Earnings)

- **Overview.** NiSource's electric utility, NIPSCO, serves ~500,000 customers in twenty counties in northern Indiana with a rate base of ~$3B. NIPSCO also owns four generating stations with a total capacity of 3,300 mw (~80% coal-fired and ~20% gas-fired), with ~10k miles of electric distribution and ~2,800 miles of electric transmission.
- **Customers.** NIPSCO's service territory is ~70% residential/commercial and ~30% industrial (with 50% tied to steel-related industries). That steel load accounts for ~15% of electric margin, so NIPSCO does have moderate economic exposure. Historically, electric customer growth has been relatively flat at 0.3% annually, below the ~1% peer average and on par with the gas segment given a heavily-saturated, largely Midwestern service area. We expect similar flattish electric customer growth in future years, excluding acquisitions.
- **Regulation.** Similar to the gas business, NI has successfully achieved important regulatory improvements in recent years. Chief among these, a $1.1B electric system modernization program over seven years in IN with tracker, and a tracker for environmental compliance spending. A table outlining NI's electric stats is shown below.

	Rate Base					Infrastructure Replacement			Regulatory Trackers							
Electric	Customers	Rate Base (mm)	Authorized ROE	Equity Cap	Total Generation (mw)	Annual Investment	Total Investment Opportunity (mm)	Program Length (Yrs)	Infrastructure Tracker	Fixed Rate Design Coverage	Decoupling	Weather Norm	Bad Debt	Pension	Environ Clean-Up	Energy Efficiency
NIPSCO Electric	500,000	$3,000	10.2%	47%	3,300				Yes	55%	No	No	Yes	No	Yes	Yes
Electric System Modernization						$160	$6,800	20+	Yes							
Transmission Investment						$115	$1,000	20+	NA							
Environmental Investment						$63	$500	20+	Yes							
Generation Investment						$0	$1,700	20+	NA							
Total	*500,000*	*3,000*	*10.2%*	*46.5%*	*3,300*	*$338*	*$10,000*	*20*		*55%*						

Source: USCA and Company Reports

- **Rate Base Growth.** NI's 6-8% annual rate base growth target includes a four-pronged electric segment strategy that assumes capital investment of ~$10B (or ~$0.4B+ annually) over 20 years, with 70%+ covered by trackers. ***Notably, NI has highlighted that each of its electric segments has "upside potential" beyond the current identified ~$10B opportunity set.*** NI's four-pronged strategy consists of:
  - **Tracked T&D Infrastructure Modernization (~$7B):** High visibility after recent passage of legislation in Indiana (SB 560) to recover modernization costs (poles, power lines, undergrounding) in a timely manner. Current $1.1B program over seven years is only the first of a longer-term program going out 20 years.
  - **Transmission System Enhancements (~$1B):** Under MISO comprehensive expansion plan, NI is currently building two projects totaling ~$0.5B. Project 1 (~$0.3B, Reynolds-to-Topeka) is 100-mile, 345-kv line, with late 2018 in-service. Project 2 (~$0.2B, Greentown-to-Reynolds) is 66-mile, 765 Kv line, with in-service late 2018. Both projects carry FERC returns (11%+), above distribution utility authorized ROE of ~10%.
  - **Tracked Environmental Investments (~$0.5B):** Under Indiana SB 251, NI is allowed to recover federally-mandated costs incurred in connection with environmental compliance. In recent years, NI has invested ~$0.8B to fully scrub its coal-fired plants for mercury and other particulates.
  - **New Gas-Fired Generation (~$1.7B):** NI has identified $1.7B longer-term investment opportunity to construct new gas-fired generation facilities. Based on timing, we think movement unlikely before 2020, so too early to factor in at this time, but sizable potential upside opportunity longer-term.

Key Catalyst

- **NIPSCO Electric:** With fixed cost recovery for sizable 55% of residential distribution rates and environmental tracker in place, key focus on semi-annual Infrastructure program (TDSIC) filings each March and September, for true-ups in June and December, respectively.

Management

- After separation, NI as a stand-alone utility will be led by an experienced management team we view as capable of executing on the core infrastructure-driven growth strategy. A brief review of the senior management team is detailed below:
  - **Joseph Hamrock, President & CEO:** Prior to separation, Hamrock was EVP and CEO of NI's Gas Distribution segment since 2012. Previously, he served in a number of senior executive positions at AEP, including President & COO of AEP Ohio operations from 2008-2012, and CIO at AEP Ohio from 2003-2007.
  - **Jim Stanley, COO:** Prior to separation, Stanley was EVP and CEO of NIPSCO since 2012. Previously, he served in a number of senior executive positions at DUK, including SVP for U.S. Electric Power Delivery from 2010-2012, and President of Duke Energy Indiana from 2006-2010.
  - **Donald Brown, CFO:** Prior to separation, Brown was an EVP Finance at NI since 2015. Previously, he served in a number of senior executive positions at UGI, including CFO Utilities from 2010-2014, and Treasurer and Controller of UGI Utilities from 2005-2010.
  - **Carl Levander, CRO:** Prior to separation, Levander was president of Columbia Gas of VA. Previously, he served in a number of rate and regulatory positions at Columbia Gas.

** Important Disclosures on pages 10-11 of this report **

Financials

- ***Capex and Cash Flow:*** New NI's capex program is projected at ~$1.3B in 2015, and ~$1.4B in 2016 and beyond, driven by gas and electric infrastructure spending which will be ~75% tracked. Gas spending is slightly heavier (~60% of total) than electric spending (~40%) given a multi-state footprint and lots of pipe replacement and other system modernization in the queue. For 2015, NI projects CFFO of ~$1.1B, covering ~80% of its requirements before dividends. Assuming ~$200mm in dividend payments, free CFFO covers ~70% of total requirements. The ~30% annual shortfall of ~$400mm we think will be funded by ~$50mm DRIP annually, and with short-term debt. For 2016 and beyond, we project a similar annual funding shortfall as 2015. As with other utilities, we would expect short-term debt balances to be periodically rolled into long-term debt at more favorable rates, as well as common equity issuances to maintain balance sheet integrity and investment grade credit ratings.

- ***Balance Sheet:*** New NI is expected to have a stable, but levered, balance sheet of ~35% equity at July 1. From a liquidity standpoint, NI is expected to have $200mm+ in cash and zero drawn on their $1.5B credit facility. NI should have ~$7.2B of total debt, with a weighted average maturity of ~14 years and a weighted average rate of 5.8%. NI has ~$2.6B of debt due over the next five years, or ~35% of total debt. We assume NI issues new debt to replace the maturing debt. The balance sheet, along with debt/capitalization metrics <70%, should support investment grade credit ratings to be issued near term by rating agencies. NI does not expect to need to issue equity until 2018/2019. However, given the company's a high projected capex spend and projected debt issuances, we expect new NI may be a more frequent issuer (every 3 years) of common than their heavily-regulated peers going forward.

Earnings

- For 2015, new NI has guided to $1.00-$1.10 in EPS, with 4-6% annualized growth into 2016 and beyond, in-line with industry peer-group averages. We think that growth is likely conservative. Rate base growth alone should get them to their targeted levels. New NI plans to spend $1.4B/yr in capex compared with DD&A of ~$500mm/yr and a ~$8B rate base. Notably, both gas and electric targeted spending plans have upside potential from additional modernization and generation enhancements not yet in plan. In addition, we see modest rate relief and faster customer growth (propane adds in IN and oil converts in MA) benefiting results. Our initial EPS estimates for 2016 and 2017 of $1.12 and $1.20, respectively, assume~7% annualized growth.

Dividends

- New NI is targeting an initial annual dividend of 62c/sh, with a targeted dividend payout ratio of 60-70%. Per NI, dividends are expected to grow in line with EPS, or ~4-6% annually, in-line with industry peer-group averages. New NI's 62c dividend represents a conservative 55%-59% of our FY'15 and FY'16 EPS estimates, with clear room for faster future growth. At the outset of its separation, we think NI implied payout ratio will be low for a 100% regulated utility, when compared with a higher peer average payout of ~65% for utilities with <80% regulated operations. We think NI may be pursuing a purposefully conservative payout to provide cushion for uncertainty in the first year.

M&A

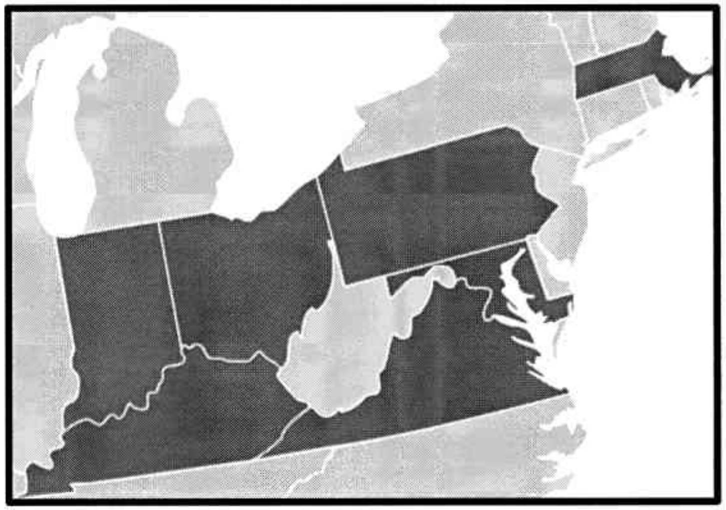
- Longer-term, we view new NI as a higher-profile, potential takeover candidate, given its significant size, geographic footprint and highly-visible growth optics. In recent years, takeovers of downstream utilities have accelerated tied to faster earnings and dividend growth rates, in large part due to accelerated infrastructure replacement and faster customer conversions tied to low commodity prices. Typical suitors have been larger electric-dominant utilities with slower load growth profiles searching for faster growth. Recent takeover multiples have averaged ~10.5x forward EBITDA and ~22x forward earnings, a ~10% increase from prices paid a decade ago.
- While an immediate take out of a company post spinoff has the potential to negate the tax-free status of the spin, we think that NI has been extremely diligent in ensuring they had no discussions with potential suitors for two years pre spin. There doesn't seem to be clear-cut rules as to how soon after the spin a transaction can take place. However, as we understand it, there is a safe harbor provision that provides that if an acquisition occurs more than two years after the spin-off, the tax-free status is preserved as long as the parties did not begin talking and negotiating until six months after the spin and as long as the acquisition was not consummated until two years post spin.

U.S. Capital Advisors

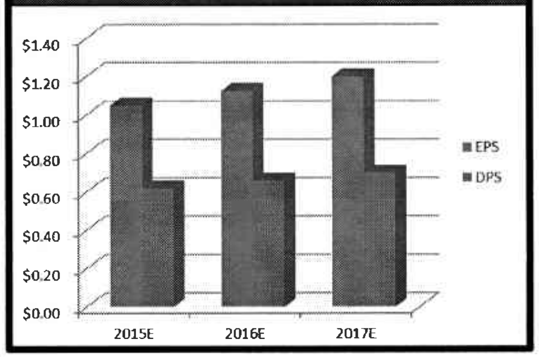
USCA Equity Research

NI – June 16, 2015

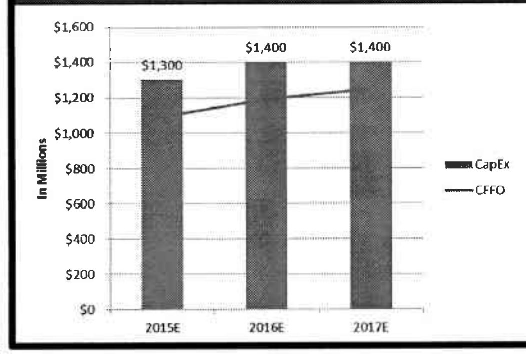
Map of Service Territory



Estimated EPS & DIV



Capital Expenditures & Cash Flow



Management Team

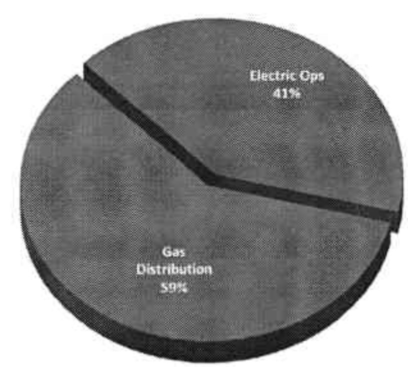
Joe Hamrock, President/CEO, 51

Jim Stanley, Executive VP/COO, 59

Donald Brown, Executive VP/CFO, 43

Carl Levander, Executive VP/CRO, NA

2016E EBITDA by Segment



NI Largest Shareholders	Position (000s)	Change (000s)	Shares Out (%)
Vanguard Group Inc.	25,830	1,113	8.14
T. Rowe Price Associates Inc.	22,849	858	7.20
Fidelity Management & Research Co.	17,923	1,968	5.65
SSgA Funds Management Inc.	15,553	(722)	4.90
BlackRock Fund Advisors	15,209	(1,057)	4.79
J.P. Morgan Investment Management Inc.	10,496	(326)	3.31
Deutsche Asset Management	10,205	(1,014)	3.22
Deutsche Investment Management Americas Inc.	5,609	(2,738)	1.77
Millennium Management LLC	5,542	3,930	1.75
Neuberger Berman LLC	4,959	767	1.56
Tortoise Capital Advisors L.L.C.	4,764	252	1.50
Massachusetts Financial Services Co.	4,635	2,778	1.46
INTECH Investment Management LLC	4,075	329	1.28
Northern Trust Investments Inc.	3,869	(96)	1.22
JPMorgan Chase Bank NA	3,659	217	1.15
Adage Capital Management LP	3,552	(1,540)	1.12
Victory Capital Management Inc.	3,445	(83)	1.09
Jennison Associates LLC	3,181	648	1.00
Pictet Asset Management SA	3,158	204	0.99
Cramer Rosenthal McGlynn LLC	3,153	1,668	0.99

** Important Disclosures on pages 10-11 of this report **

Sources: Bloomberg, Company Reports, USCA

U.S. Capital Advisors

	2013	2014	2015E	2016E	2017E
Income Statement ($mm)					
Revenue	$4,621	$5,253			
COGS	1,962	2,372			
Gross margin	$2,659	$2,881	$3,038	$3,205	$3,380
O&M	$1,273	$1,375	$1,403	$1,445	$1,488
DD&A	446	462	493	525	559
Other taxes & miscellaneous	225	238	252	266	280
Total operating expenses	$1,944	$2,076	$2,147	$2,236	$2,328
Operating income	$714	$805	$891	$969	$1,052
Other income	(3)	15	0	0	0
Interest expense			(375)	(409)	(422)
Pre-tax income			516	560	631
Income tax			(183)	(202)	(227)
Net income - reported			$333	$358	$404
Non recurring					
Net income - recurring			$333	$358	$404
EBITDA	$1,157	$1,282	$1,384	$1,494	$1,612
Cash Flow Statement ($mm)					
Cash Flow From Operations					
Net income			$333	$358	$404
Adjustment			758	831	844
Cash from operations			1,091	1,190	1,248
Cash from investing			(1,300)	(1,400)	(1,400)
Cash from financing			228	216	191
Change in cash			19	5	39
Beginning cash			0	19	25
Ending cash			$19	$25	$63
EPS					
Diluted			$1.05	$1.12	$1.20
Shares -Diluted (mm)			317.0	318.6	336.2
Dividends (per share)					
Dividend paid			$0.62	$0.66	$0.70
Payout ratio			59.1%	58.4%	58.0%
Capital Structure ($mm)					
Common Equity			$3,618	$3,409	$3,175
Long-Term Debt			6,700	7,050	7,400
Short-Term Debt & Current Mat.			0	0	0
Preferred & Minority Interest			0	0	0
Total Capitalization			$10,318	$10,459	$10,575
% Common Equity			35%	33%	30%
% Long-Term Debt			65%	67%	70%
% Short-Term Debt & Current Mat.			0%	0%	0%
% Preferred & Minority Interest			0%	0%	0%
			100%	100%	100%
Statistics					
Book Value Per Share			$11.41	$10.70	$9.44
Free Cash Flow Per Share			$2.82	$3.08	$3.02
Free Cash Flow/CapEx			69%	70%	72%
Return On Average Equity			9.2%	10.5%	12.7%

Source: USCA

** Important Disclosures on pages 10-11 of this report **

U.S. Capital Advisors

Important Disclosures:

Analyst Certification:

We, Daniel Fidell and Sarika Patel, do hereby certify that the recommendations and opinions expressed in this research report accurately reflect our personal views about any and all of the subject securities or issues discussed herein. Furthermore, no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report. We do not own any shares directly or indirectly (or any derivative thereof) of the company that is subject to this research report. Neither we nor any member of our households serves as an officer, director or advisory board member of the company that is subject to this research report.

Employees of U.S. Capital Advisors LLC ("USCA" or "the Firm") not involved in the preparation of this report may have investments in securities or derivatives of securities of companies mentioned in this report, and may buy, sell, or trade them in ways different from, or in a manner inconsistent with, the recommendations and opinions expressed in this report.

Analysts' Compensation:

Analysts' compensation is not based on investment banking revenue and the analysts are not compensated by the subject companies. In the past 12 months, USCA has received investment banking or other revenue from Spark Energy (SPKE). Additionally, within the next three months USCA may attempt to seek compensation for investment banking services from the companies mentioned within this report

Opinion Key:

USCA uses a Buy, Overweight, Hold, Underweight and Sell rating system.

BUY - The stock has among the best combination of risk/reward and positive company specific catalysts within the sector. Stock is expected to trade higher on an absolute basis and be a top performer relative to peer stocks over the next 12 months.

OVERWEIGHT - The stock has above average risk/reward and is expected to outperform peer stocks over the next 12 months.

HOLD - The stock has average risk/reward and is expected to perform in line with peer stocks over the next 12 months.

UNDERWEIGHT - The stock has below average risk/reward and is expected to underperform peer stocks over the next 12 months.

SELL - The stock's risk/reward is skewed to the downside with possible negative company specific catalysts or excessive valuation. The stock is expected to trade lower on an absolute basis and be among the worst performers relative to peer stocks over the next 12 months.

Price Target Methodology:

Our price targets for downstream utility stocks are developed through a combination of techniques, including relative and absolute measures. We believe it is important to look at both types of valuation methods in order to get a full understanding of a stock's trading dynamics. Our fair value estimate is based on a blended average of the two techniques.

Relative Valuation:

Downstream gas and electric utilities tend to trade on both projected earnings and cash flow. We believe investors should take both these considerations into account equally. Downstream utilities have

** Important Disclosures on pages 10-11 of this report **

U.S. Capital Advisors

traded between 12-17 times forward earnings and 7-9 times EV-to-forward EBITDA over the last decade. With many downstream utilities operating under fiscal years' ending September 30, we typically use "forward-year" projections for proper apples-to-apples comparisons. Accordingly, our fair value estimates currently use our FY16 projections.

Absolute Valuation:

Given their status as income-producing investments, we believe it is also important to value downstream utilities based on the value of the future dividend streams. Unlike comparative valuation techniques, this method ignores the current or historic trading multiple implied by the market. Our DDM assumes a midterm growth rate based on our FY14-FY16 estimates, a long-term growth rate based on our forward projections using an assumed ROE (typically between 10-12%) and payout ratio (typically 60%-70%) and an equity risk premium using risk-free rates (currently 4.5%) and company Betas (average 0.8).

Risks:

An increase in interest rates, a poor regulatory decision, a decrease in commodity price volatility, bypass threat from large industrial customers, a decline in the broad market or a decline in profits from non-regulated operations are among the many potential risks to achieving our price targets.

Distribution of Ratings (as of June 16, 2015):

Recommendation	Count	Percent	Investment Banking Relationship	Count	Percent
Overweight/Buy	39	60%	Overweight/Buy	8	21%
Hold	26	40%	Hold	1	4%
Underweight/Sell	0	0%	Underweight/Sell	0	0%

Historical Ratings and Price Targets may be found by clicking the link below:

USCA Rating and Price Target History

USCA Glossary:

http://www.uscallc.com/assets/pdf/Glossary.pdf

For hard a hard copy of our price target/ratings history, please call 888-601-USCA (8722), or write to U.S. Capital Advisors, 1330 Post Oak Blvd., Suite 900, Houston, TX, 77056.

U.S. Capital Advisors

USCA Equity Research

NI – July 6, 2015

NISOURCE, INC.
(NI)

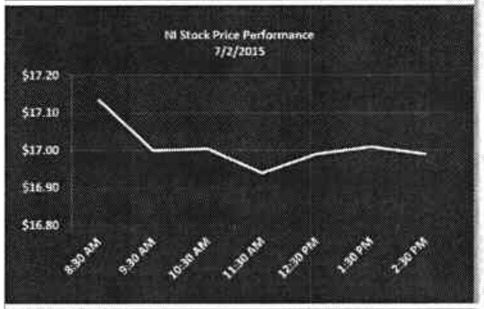
CURRENT PRICE: $16.99

TARGET PRICE: $20

RECOMMENDATION: OVERWEIGHT

KEY STATS

Market Cap:	$5.4B
FY15E EPS:	$1.05
FY16E EPS:	$1.12
P/E (15/16):	16.2x / 15.2x
Dividend:	$0.62
Yield / Payout (FY15):	3.6% / 59%
Equity / Cap (FY15):	35%
Rate Base:	$8.0B
Capex (FY15):	$1.3B
EPS CAGR (2015-2017):	5%
DIV CAGR (2015-2017):	6%
LT EPS Growth Target:	5%



ANALYST CONTACTS

Daniel Fidell
Managing Director
636-812-2270
dfidell@uscallc.com

Sarika Patel
Research Analyst
713-366-0559
spatel@uscallc.com

NiSource, Inc. (NI)
Initiating Coverage With Overweight Rating and $20 PT
A New Blue-Chip, Stand-Alone Utility With Infrastructure Growth Focus

Summary

- Given the recent spinoff we are transferring coverage of NI from USCA's Midstream to our team. Our rating is Overweight, and our price target on the post-spin NI is $20/sh. Our valuation work is detailed below. We see >10% total return potential for NI shares over the next 12-months.
- In 2014, NI announced plans to separate its pipeline segment, Columbia Pipeline Group (CPGX), through a tax-free spin-off to NI shareholders. NI shareholders of record at the close of business on July 1 received one share of CPGX for every one share of NI stock owned. NI, now a standalone gas and electric utility, began trading on a when-issued basis on June 17. CPGX shares were distributed following the close of business on July 1, with both NI and CPGX shares beginning regular-way trading on July 2.
- Please click the links below to access our recent report on NI fundamentals and our outlook for the shares, as well as the USCA Midstream team's recent report on CPGX fundamentals and refreshed price targets. (Note: Prior to the transfer of coverage, USCA Midstream team rated NI shares Overweight with a target price of $54/sh).

  USCA NiSource Overview 6.16.15

  USCA – Pre-Spin Columbia Pipeline Group Refresh

Valuation

- Over the last decade, utilities have traded at 13-18x P/E and 7-9x EV/EBITDA. In recent years, they have traded at the higher end of the range given historically low interest rates and investor concerns over sluggish economic growth. With modest economic improvement and the Fed hinting at higher interest rates near term, we think mid-cycle sector P/E of ~16x and EV/EBITDA of ~8x are justified for the sector on average.
- Historically, the market has afforded higher multiples to utilities with greater percentages of regulated earnings given the perception of enhanced consistency in cash flows and earnings. We view higher-end multiples as warranted for NI given the 100% pure play nature of its assets and solid utility fundamentals, including trackers across all jurisdictions.
- Our $20/sh fair value estimate is based on a methodology using an equal combination of relative metrics (P/E, EV/EBITDA - $20) and absolute metrics (Dividend Discount Model - $20). Our relative value of $20/share is based on a 17x P/E multiple on FY17 EPS of $1.20 ($20/sh) and an 8.5x multiple on EV/FY17 EBITDA of ~$1.5B ($20/sh). Our absolute value of $20/share assumes a risk-free rate of 4.5%, an equity risk premium of 450 bps, in-line with heavily regulated peers, and long-term EPS growth of 6%.
- Among risks to our assumptions, we note regulatory uncertainty, execution risk on infrastructure enhancement, rising interest rates, modest weather sensitivity, and expected need to regularly access the capital markets. Near term, we expect trading volatility given repositioning among current NI holders, new utility investors and broad market indices.

** Important Disclosures on pages 2-3 of this report **

U.S. Capital Advisors

Analyst Certification:

We, Daniel Fidell and Sarika Patel, do hereby certify that the recommendations and opinions expressed in this research report accurately reflect our personal views about any and all of the subject securities or issues discussed herein. Furthermore, no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report. We do not own any shares directly or indirectly (or any derivative thereof) of the company that is subject to this research report. Neither we nor any member of our households serves as an officer, director or advisory board member of the company that is subject to this research report.

Employees of U.S. Capital Advisors LLC ("USCA" or "the Firm") not involved in the preparation of this report may have investments in securities or derivatives of securities of companies mentioned in this report, and may buy, sell, or trade them in ways different from, or in a manner inconsistent with, the recommendations and opinions expressed in this report.

Analysts' Compensation:

Analysts' compensation is not based on investment banking revenue and the analysts are not compensated by the subject companies. In the past 12 months, USCA has received investment banking or other revenue from Spark Energy (SPKE). Additionally, within the next three months USCA may attempt to seek compensation for investment banking services from the companies mentioned within this report

Opinion Key:

USCA uses a Buy, Overweight, Hold, Underweight and Sell rating system.

BUY - The stock has among the best combination of risk/reward and positive company specific catalysts within the sector. Stock is expected to trade higher on an absolute basis and be a top performer relative to peer stocks over the next 12 months.

OVERWEIGHT - The stock has above average risk/reward and is expected to outperform peer stocks over the next 12 months.

HOLD - The stock has average risk/reward and is expected to perform in line with peer stocks over the next 12 months.

UNDERWEIGHT - The stock has below average risk/reward and is expected to underperform peer stocks over the next 12 months.

SELL - The stock's risk/reward is skewed to the downside with possible negative company specific catalysts or excessive valuation. The stock is expected to trade lower on an absolute basis and be among the worst performers relative to peer stocks over the next 12 months.

Price Target Methodology:

Our price targets for downstream utility stocks are developed through a combination of techniques, including relative and absolute measures. We believe it is important to look at both types of valuation methods in order to get a full understanding of a stock's trading dynamics. Our fair value estimate is based on a blended average of the two techniques.

Relative Valuation:

Downstream gas and electric utilities tend to trade on both projected earnings and cash flow. We believe investors should take both these considerations into account equally. Downstream utilities have

U.S. Capital Advisors

traded between 12-17 times forward earnings and 7-9 times EV-to-forward EBITDA over the last decade. With many downstream utilities operating under fiscal years' ending September 30, we typically use "forward-year" projections for proper apples-to-apples comparisons. Accordingly, our fair value estimates currently use our FY'17 projections.

Absolute Valuation:

Given their status as income-producing investments, we believe it is also important to value downstream utilities based on the value of the future dividend streams. Unlike comparative valuation techniques, this method ignores the current or historic trading multiple implied by the market. Our DDM assumes a midterm growth rate based on our FY15-FY17 estimates, a long-term growth rate based on our forward projections using an assumed ROE (typically between 10-12%) and payout ratio (typically 60%-70%) and an equity risk premium using risk-free rates (currently 4.5%) and company Betas (average 0.8).

Risks:

An increase in interest rates, a poor regulatory decision, a decrease in commodity price volatility, bypass threat from large industrial customers, a decline in the broad market or a decline in profits from non-regulated operations are among the many potential risks to achieving our price targets.

Distribution of Ratings (as of July 6, 2015):

Recommendation	Count	Percent	Investment Banking Relationship	Count	Percent
Overweight/Buy	39	60%	Overweight/Buy	8	21%
Hold	26	40%	Hold	3	12%
Underweight/Sell	0	0%	Underweight/Sell	0	0%

Historical Ratings and Price Targets may be found by clicking the link below:

USCA Rating and Price Target History

For hard a hard copy of our price target/ratings history, please call 888-601-USCA (8722), or write to U.S. Capital Advisors, 1330 Post Oak Blvd., Suite 900, Houston, TX, 77056.

A list of common terms and abbreviations may be found by viewing our Glossary.

U.S. Capital Advisors

USCA Equity Research

May 13, 2015

Refreshing Expectations for NiSource and Columbia Pipeline Group Pre-Spin Conference Calls (NI – Overweight – $44.46 – $49 PT) (CPPL – Overweight – $26.74 – $31 PT)

In anticipation of NiSource's upcoming pre-spin conference calls on May 14th, we quickly refresh our expectations of EBITDA, DCF and dividend forecasts for the two companies. NI call is at 9:00 am ET, with CPGX following up at 10:30 am ET.

Looking for CPGX Cash Tax Rate and Payout Ratio…

With top line CPGX EBITDA already outlined at mid-to-upper teens annual growth for the next several years, think biggest missing pieces of information around CPGX are their cash tax rate expectations as well as their DCF payout ratio. Both are important as they go to show how much of CPGX's cash will be returned to investors and how much CPGX will reinvest in the business to finance their ~$5B project backlog. Obviously, the more cash CPGX retains, the less new CPPL equity will be raised and the less CPGX's ownership of OpCo is diluted, which in turn allows CPGX to grow their DCF/sh quicker.

…and CPPL Equity Needs and Acquisition Multiples

Depending on how answers above to CPGX shake out, CPPL will need to come to market for somewhere between ~$500mm-$1B of equity in each of '16 and '17 to fund expansion capex. With that capital, CPPL will buy additional equity interests in OpCo. The lower the acquisition multiple, the more accretive the acquisition to CPPL and simultaneously more dilutive to CPGX. Obviously a higher multiple reverses that. Looking for any color on how they walk that fine line.

Yesterday's Dividend Announcement

In advance of tomorrow's conference call, NI announced yesterday their first post-spin dividend of 28c/sh, an increase of 2c/sh vs. last quarter, with 15.5c attributable to NI utility operations and 12.5c attributable to CPGX operations. The 15.5c annualizes to 62c and is in-line with our 2015 NI utility stand-alone forecast on the next page of 64c/sh, based on a 60% EPS payout ratio.

The 12.5c attributable to CPGX annualizes to 50c, and would represent fairly thick coverage to both our pre-tax DCF of $1.07/sh and our 69c/sh post-tax DCF (which assumes a fairly robust 38% tax rate that it seems few are actually paying these days) forecast for 2015. Additionally, NI indicated that it expects CPGX to grow its dividend at 15% annually through 2020.

The 15% growth number seems on its surface to be fairly conservative given that 1) it looks like CPGX will start with significant excess coverage, 2) top line OpCo EBITDA growth is expected to exceed 15% over next several years, 3) CPGX's MLP has higher distribution growth forecasts, and 4) as CPPL grows its distributions, CPGX will receive a higher proportion of their cash flows.

Analyst Contacts

Becca Followill
713-366-0557
bfollowill@uscallc.com

James Carreker, CFA
713-366-0558
jcarreker@uscallc.com

** Important Disclosures on pages 3-4 of this report **

We're speculating that conservatism is due to much of the growth being weighted toward the latter half of the decade, but certainly looking for more color on the call as to what could give management comfort to elevate that forecast.

March CPPL Initiation, NI Upgrade and CPGX Valuation

For more information on the NiSource complex, please see our March 17th note in which we initiated CPPL coverage (Overweight - $31 PT), upgraded NI (Overweight - $49 PT) and laid out an initial framework for a post-spin CPGX value of $27/sh.

USCA Estimates for CPGX/CPPL

	2014	2015*	2016	2017	2018	2019
OpCo EBITDA ($mm)	$599	$687	$764	$880	$1,190	$1,379
Y/Y Growth		*14.8%*	*11.3%*	*15.2%*	*35.2%*	*15.8%*
'15-'19 CAGR						*19.0%*
CPGX Pre-Tax DCF ($mm)		$340	$328	$362	$577	$744
CPGX Pre-Tax DCF/Sh		$1.07	$1.03	$1.14	$1.82	$2.35
Y/Y Growth			*-3.7%*	*10.5%*	*59.4%*	*29.0%*
'15-'19 CAGR						*21.6%*
CPGX DCF/Sh (38% Tax Rate)		$0.69	$0.62	$0.75	$1.25	$1.67
Y/Y Growth			*-9.9%*	*21.4%*	*65.8%*	*33.7%*
'15-'19 CAGR						*24.8%*
CPGX DPS (15% Growth)		$0.50	$0.58	$0.66	$0.76	$0.87
Dividend Coverage		1.38x	1.08x	1.14x	1.64x	1.91x
CPPL Equity Raised		$0	$907	$896	$292	$0
CPPL DPU		$0.71	$0.86	$1.02	$1.22	$1.42
Y/Y Growth			*21.6%*	*18.6%*	*19.6%*	*16.4%*
'15-'19 CAGR						*19.0%*
CPGX Debt/EBITDA, LTM		5.0x	5.0x	4.8x	3.8x	3.3x
CPGX Debt/EBITDA, NTM		4.5x	4.4x	3.5x	3.3x	3.1x

**Assumes spin occurred Jan 1*

USCA Estimates for NI Post Spin

	2014	2015*	2016	2017	2018	2019
Electric EBITDA	$532	$575	$620	$669	$720	$774
Gas EBITDA	$735	$784	$836	$891	$947	$1,007
Total	$1,267	$1,359	$1,457	$1,559	$1,667	$1,781
'15-'19 CAGR						*7.0%*
Net Income ($mm)		$338	$371	$407	$448	$493
Payout Ratio		60%	60%	60%	60%	60%
Shares Outstanding (mm)		317.4	317.4	317.4	317.4	317.4
DPS		$0.64	$0.70	$0.77	$0.85	$0.93
'15-'19 CAGR						*9.8%*
Pro-Forma YE Debt ($mm)		$5,976	$6,574	$7,147	$7,693	$8,210
Debt/LTM EBITDA		4.4x	4.5x	4.6x	4.6x	4.6x

**Assumes spin occurred Jan 1*

Source: Company filings, USCA

** Important Disclosures on pages 3-4 of this report **

Analyst Certification:

We, Becca Followill and James Carreker, do hereby certify that the recommendations and opinions expressed in this presentation accurately reflect our personal views about any and all of the subject securities or issues discussed herein. Furthermore, no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein. We do not own any shares directly or indirectly (or any derivative thereof) of the company that is subject to this research report. Neither we nor any member of our households serves as an officer, director or advisory board member of any company that is subject to this presentation.

Employees of U.S. Capital Advisors LLC ("USCA" or "the Firm") not involved in the preparation of this report may have investments in securities or derivatives of securities of companies mentioned in this report, and may buy, sell, or trade them in ways different from, or in a manner inconsistent with, the recommendations and opinions expressed in this report.

Important Disclosures:

Analysts' compensation is not based on investment banking revenue and the analysts are not compensated by the subject companies. Within the next three months USCA may attempt to seek compensation for investment banking services from the companies mentioned within this report.

Opinion Key:

USCA uses a Buy, Overweight, Hold, Underweight and Sell rating system.

BUY - The stock has among the best combination of risk/reward and positive company specific catalysts within the sector. Stock is expected to trade higher on an absolute basis and be a top performer relative to peer stocks over the next 12 months.

OVERWEIGHT - The stock has above average risk/reward and is expected to outperform peer stocks over the next 12 months.

HOLD - The stock has average risk/reward and is expected to perform in line with peer stocks over the next 12 months.

UNDERWEIGHT - The stock has below average risk/reward and is expected to underperform peer stocks over the next 12 months.

SELL - The stock's risk/reward is skewed to the downside with possible negative company specific catalysts or excessive valuation. The stock is expected to trade lower on an absolute basis and be among the worst performers relative to peer stocks over the next 12 months.

Risks that may impede achievement of price target(s):

Industry wide risks include but are not limited to environmental and regulatory for both pipeline and E&P, aging infrastructure and availability of midstream infrastructure to accommodate new production. Competition for and availability of service crews and drilling rigs. Commodity prices, the economic outlook, access to capital markets. Interest rates. Asset recontracting. Cost overruns.

Price Target Methodology:

C-Corps
For C-Corps, our price targets are, generally, based on a traditional sum of the parts analysis. For traditional pipes and midstream assets, we value at 8-12x EBITDA multiples (usually forward year unless it doesn't represent a good run rate). LP units are marked to current market. GP values are determined using a discounted cash flow of projected distributions and then tax effected.

MLPs
For MLPs, we average three different valuations as we have yet to find one pure way to value MLPs that captures the many nuances – current yield, growth, GP IDRs, equity to fund growth, etc. For all three methods, we start with six-year projections of LP distributions and assume a terminal growth rate. The three valuation methods – Traditional CAPM, Growth Adjusted Cash Yield, and GP Adjusted Distribution Discount Model – each yield a different cost of equity, which is then used as the discount rate against the projected distributions and terminal growth rates. Traditional CAPM is a straight forward traditional use of the Capital Asset Pricing Model. Growth Adjusted Cash Yield uses projected yield plus an adjustment for expected long-term distribution growth. GP Adjusted Distribution Discount Model uses average annual forecasted distributions for both the GP and LP for the next three years divided by the average number of forecasted LP units over the next three years divided by the current LP unit price. In our view, this method helps account for the higher cost of capital associated with GP IDRs.

Distribution of Ratings (as of May 13, 2015):

Recommendation	Count	Percent	Investment Banking Relationship	Count	Percent
Overweight/Buy	36	58%	Overweight/Buy	8	22%
Hold	26	42%	Hold	1	4%
Underweight/Sell	0	0%	Underweight/Sell	0	0%

Historical Ratings and Price Targets may be found by clicking the link below:
USCA Rating and Price Target History

For hard a hard copy of our price target/ratings history, please call 888-601-USCA (8722), or write to U.S. Capital Advisors, 1330 Post Oak Blvd., Suite 900, Houston, TX, 77056.

A list of common terms and abbreviations may be found by viewing our Glossary.

The viewpoints and opinions expressed in this communication represent the views of the authors as of the date of this report. These viewpoints and opinions may be subject to change without notice and USCA will not be responsible for any consequences associated with reliance on any statement or opinion contained in this communication.

This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who may receive it and for this reason, this message should not be considered as an offer or solicitation to buy or sell any securities.

Securities offered through USCA Securities LLC, member FINRA/SIPC; Investment advisory services offered through USCA RIA LLC; Municipal advisory services offered through USCA Municipal Advisors LLC, member MSRB.

U.S. Capital Advisors

USCA Equity Research

NI – June 16, 2015

NiSource, Inc.
(NI - Post Spin)

Target Price:	$20
Recommendation:	Not Rated

KEY STATS

FY15E EPS:	$1.05
FY16E EPS:	$1.12
Dividend:	$0.62
Equity / Cap (FY15):	35%
Rate Base:	$8.0B
Capex (FY15):	$1.3B
EPS CAGR (2015-2017):	5%
DIV CAGR (2015-2017):	6%
LT EPS Growth Target:	5%

ANALYST CONTACTS

Daniel Fidell
Managing Director
636-812-2270
dfidell@uscallc.com

Sarika Patel
Research Analyst
713-366-0559
spatel@uscallc.com

The New NiSource, Inc. (NI)
A New Blue-Chip, Stand-Alone Utility With Infrastructure Growth Focus

Summary

- In 2014, NI announced plans to separate its pipeline segment, Columbia Pipeline Group (CPG), through a tax-free spin-off to NI shareholders. NI's Board approved the spin-off in early June. NI shareholders of record at the close of business on July 1 will receive one share of CPG for every one share of NI stock owned. The new NI, a standalone gas and electric utility, is expected to begin trading on a when-issued basis on June 17. CPG shares will be distributed following the close of business on July 1, with both NI and CPG shares expected to begin regular-way trading on July 2.
- Following separation, NI will be a pure-play utility with a ~$8B rate base operating in two core segments: a regulated gas utility (~65% of total EPS) and a regulated electric utility (~35%). The gas utility serves ~3.5mm customers across seven states including OH, IN, PA, MA, VA, KY, and MD. The electric utility serves ~0.5mm customers in IN.
- The new NI is targeting 4-6%/yr EPS growth, 6-8%/yr rate base growth, dividend growth in line with EPS growth, and a dividend payout ratio of 60-70%.
- Note, until the spin is completed, the current NI will be covered by USCA Midstream team. Post spin, the team will transfer coverage to our utility team and CPG will be covered by our midstream team.

Investment Thesis

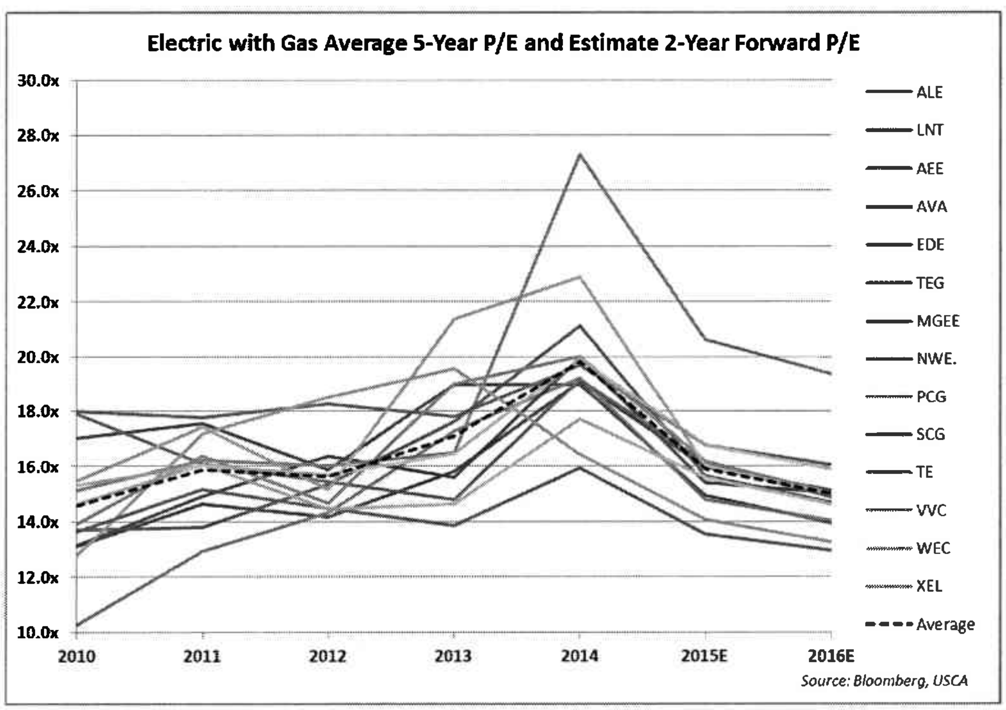
- This note is intended to highlight the value we see in the new, stand-alone **NI**, outline their growth prospects and base business profile, and highlight peer valuations. It is unusual in that we are not formally initiating coverage since the new NI has not yet begun trading.
- We see the fair value of new NI at $20/sh, using an equal combination of relative (P/E, EV/EBITDA) and absolute metrics. Given their pure-play nature, high capex with trackers, and experienced management, we think new NI should warrant a premium valuation relative to their peers. Our opinion is only modestly tempered by a more levered balance sheet than its peers, but still sufficient to support investment grade credit ratings. We value new NI at a 17x P/E multiple and 8.5x EV/EBITDA, vs. a peer group which trades at 13-18x P/E multiples and 7-9x EV/EBITDA.
- **Targeted Growth In line with Peers...**New NI is targeting 4-6% EPS and dividend growth, in-line with industry peer-group averages.
- **...But Looks Conservative:** But we think that growth is likely conservative. Rate base growth alone should get them to their targeted levels. New NI plans to spend $1.4B/yr in capex compared with DD&A of ~$500mm/yr and a ~$8B rate base. Notably, both gas and electric targeted spending plans have upside potential from additional modernization and generation enhancements not yet in the plan. In addition, we see modest rate relief and faster customer growth (propane adds in IN and oil converts in MA) benefiting results over the near term.

** Important Disclosures on pages 10-11 of this report **

- **M&A Kicker:** Longer-term, we view new NI as a potential takeover candidate, given its size, geography and highly-visible growth optics (discussed in detail later in this report).

Valuation

- Over the last decade, LDCs have traded at 13-18x P/E and 7-9x EV/EBITDA. In recent years, they have traded at the higher end of the range given historically low interest rates and investor concerns over sluggish economic growth. With modest economic improvement and the Fed hinting at higher interest rates near term, we think mid-cycle sector P/E of ~16x and EV/EBITDA of ~8x are justified for the sector on average (see chart below).
- Historically, the market has afforded higher relative multiples to utilities with greater percentages of regulated earnings given the perception of enhanced consistency in cash flows and earnings. We think higher-end multiples are warranted for new NI given the 100% pure play nature of its assets and solid utility fundamentals, including rate trackers across all of its jurisdictions (see chart on pg. 3).
- Our $20/sh fair value estimate is based on a methodology using an equal combination of relative metrics (P/E, EV/EBITDA - $20) and absolute metrics (Dividend Discount Model - $20).
- Our relative value of $20/share is based on a 17x P/E multiple on FY17 EPS of $1.20 ($20/sh) and an 8.5x multiple on EV/FY17 EBITDA of ~$1.5B ($20/sh). Our absolute value of $20/share assumes a risk-free rate of 4.5%, an equity risk premium of 450 bps, in-line with heavily regulated peers, and long-term EPS growth of 6%.
- Among many risks to our valuation assumptions, we note regulatory uncertainty, execution risk on infrastructure enhancement, potential for rising interest rates, modest weather sensitivity, and expected need to regularly access the capital markets.



Operations Overview

Gas Distribution (~65% of Operating Earnings)

- **Overview.** NiSource's gas distribution segment serves ~3.3mm customers in seven states and operates ~58k miles of distribution pipeline, with a total rate base of ~$5B. NI owns six LDCs that distribute gas to ~2.7mm customers under the name "Columbia Gas" to residential, commercial and industrial customers in OH, PA, MA, VA, KY, and MD. NI also owns an LDC that distributes gas to ~0.8mm customers under the name "NIPSCO" to customers in IN.

- **Customers.** Ohio and Indiana are NI's two largest jurisdictions, representing ~2/3 of total customer base. Overall, customer mix and margin is ~90% residential, ~8% commercial and ~2% industrial, with ~75% of total revenue tracked under regulatory riders for timely recovery regardless of throughput. Historically, gas customer growth has averaged ~0.5%, below the ~1% peer average, given a heavily-saturated, largely Midwestern service area. We expect similar below-average gas customer growth in future years, excluding acquisitions.

- **Regulation.** In recent years, NI has successfully achieved important regulatory approved revenue and spending trackers across its multi-state jurisdictions. A table outlining NI's key gas utility stats is shown below. Among these are decoupling riders which largely smooth revenue variability, and infrastructure trackers, which minimize regulatory lag and allow for accelerated infrastructure replacement and modernization. Most recently in 2014, a $0.8B system modernization plan over seven years was authorized in IN. At present, NI has infrastructure trackers in all of its jurisdictions.

- **Rate Base Growth.** With the regulatory groundwork now complete, the stage is set for NI to spend ~$15B (~$0.6B+ annually) over the next 20 years at their gas utilities, primarily on system modernization. NI has formally targeted~$20B in gas system spending over 20 years, implying ~$5B in additional spending potential. For utilities, spending = rate base growth = earnings. ***Assuming NI spends ~$0.6B+ annually over the next five years on a ~$5B current rate base, we see gas rate base growing ~8%+, modestly above the high end of NI's targeted 6-8% rate base growth guidance.***

	Rate Base				Infrastructure Replacement					Regulatory Trackers							
LDC	Customers	Rate Base (mm)	Authorized ROE	Equity Cap	Total Pipe (Miles)	Bare Steel / Cast Iron (Miles)	Annual Investment	Total Investment Opportunity (mm)	Program Length (Yrs)	Infrastructure Tracker	Fixed Rate Design Coverage	Decoupling	Weather Norm	Bad Debt	Pension	Environ Clean-Up	Energy Efficiency
Columbia Gas of Ohio	1,400,000	$1,700	10.4%	NA	20,000	3,000	$186	$4,100	20-25	Yes	100%	Yes	Yes	Yes	Yes	Yes	Yes
NIPSCO Gas	800,000	$800	9.9%	46%	17,000	35	$100	$4,500	20-25	Yes	60%	No	No	Yes	No	Yes	Yes
Columbia Gas of Pennsylvania	420,000	$1,100	NA	NA	7,400	1,700	$156	$3,000	15-20	Yes	50%	No	Yes	Yes	Yes	No	Yes
Columbia Gas of Massachusetts	300,000	$600	9.5%	54%	5,000	1,000	$57	$1,400	15-20	Yes	30%	Yes	Yes	Yes	Yes	Yes	Yes
Columbia Gas of Virginia	250,000	$530	10.1%	43%	5,000	200	$25	$550	NA	Yes	55%	Yes	Yes	Yes	No	Yes	Yes
Columbia Gas of Kentucky	135,000	$240	NA	NA	2,600	430	$13	$750	25-30	Yes	60%	No	Yes	Yes	No	No	Yes
Columbia Gas of Maryland	33,000	$60	9.6%	54%	750	95	$10	$200	15-20	Yes	35%	Yes	Yes	Yes	Yes	Yes	Yes
Total	*3,338,000*	*5,030*	*9.9%*	*49.1%*	*57,750*	*6,460*	*$547*	*$14,500*	*20*		*>80%*						

Source: USCA and Company Reports

Key Catalysts By LDC

- **Columbia Gas of OH:** With a straight-fixed variable (SFV) rate design and trackers across the board, key focus on annual Infrastructure Replacement Program (IRP) filing each February to "true-up" tracker each May.

- **NIPSCO Gas:** High visibility after recent passage of legislation in Indiana (SB 560) to recover gas modernization costs in a timely manner. Current $0.8B program over seven years is only the first of a longer-term program going out 20+years. Along with fixed cost recovery for sizable 60% of residential distribution rate, key focus on semi-annual Infrastructure program (TDSIC) filings each March and September, for true-ups in June and December, respectively. Customer growth upside potential through expansions to serve rural propane customers.

U.S. Capital Advisors

USCA Equity Research

NI – June 16, 2015

- **Columbia Gas of PA:** Frequent general rate case filings each March required to recover infrastructure and other costs effective each January 1. At present, pending case seeking $46mm rate hike based on 10.95% ROE and 52% equity structure, with final order expected in 12/15.
- **Columbia Gas of MA:** With full decoupling, key focus on annual Infrastructure Program filing each October to "true-up" tracker each May. On 4/15, filed general rate case seeking $10mm rate hike based on 10.95% ROE and 54% equity structure, with final order expected in 2/16. Customer growth upside potential from oil conversions.
- **Columbia Gas of VA:** With full revenue normalization, key focus on annual Infrastructure Program filing each July to "true-up" tracker each January. On 4/14, filed general rate case seeking $32mm rate hike based on 10.9% ROE and 43% equity structure, with final order expected by 6/30/15.
- **Columbia Gas of MD:** With full revenue normalization, key focus on annual Infrastructure Program filing each November to "true-up" tracker each January.

Electric Operations (~35% of Operating Earnings)

- **Overview.** NiSource's electric utility, NIPSCO, serves ~500,000 customers in twenty counties in northern Indiana with a rate base of ~$3B. NIPSCO also owns four generating stations with a total capacity of 3,300 mw (~80% coal-fired and ~20% gas-fired), with ~10k miles of electric distribution and ~2,800 miles of electric transmission.
- **Customers.** NIPSCO's service territory is ~70% residential/commercial and ~30% industrial (with 50% tied to steel-related industries). That steel load accounts for ~15% of electric margin, so NIPSCO does have moderate economic exposure. Historically, electric customer growth has been relatively flat at 0.3% annually, below the ~1% peer average and on par with the gas segment given a heavily-saturated, largely Midwestern service area. We expect similar flattish electric customer growth in future years, excluding acquisitions.
- **Regulation.** Similar to the gas business, NI has successfully achieved important regulatory improvements in recent years. Chief among these, a $1.1B electric system modernization program over seven years in IN with tracker, and a tracker for environmental compliance spending. A table outlining NI's electric stats is shown below.

	Rate Base					Infrastructure Replacement			Regulatory Trackers							
Electric	Customers	Rate Base (mm)	Authorized ROE	Equity Cap	Total Generation (mw)	Annual Investment	Total Investment Opportunity (mm)	Program Length (Yrs)	Infrastructure Tracker	Fixed Rate Design Coverage	Decoupling	Weather Norm	Bad Debt	Pension	Environ Clean-Up	Energy Efficiency
NIPSCO Electric	500,000	$3,000	10.2%	47%	3,300				Yes	55%	No	No	Yes	No	Yes	Yes
Electric System Modernization						$160	$6,800	20+	Yes							
Transmission Investment						$115	$1,000	20+	NA							
Environmental Investment						$63	$500	20+	Yes							
Generation Investment						$0	$1,700	20+	NA							
Total	*500,000*	*3,000*	*10.2%*	*46.5%*	*3,300*	*$338*	*$10,000*	*20*		*55%*						

Source: USCA and Company Reports

** Important Disclosures on pages 10-11 of this report **

- **Rate Base Growth.** NI's 6-8% annual rate base growth target includes a four-pronged electric segment strategy that assumes capital investment of ~$10B (or ~$0.4B+ annually) over 20 years, with 70%+ covered by trackers. ***Notably, NI has highlighted that each of its electric segments has "upside potential" beyond the current identified ~$10B opportunity set.*** NI's four-pronged strategy consists of:
  - **Tracked T&D Infrastructure Modernization (~$7B):** High visibility after recent passage of legislation in Indiana (SB 560) to recover modernization costs (poles, power lines, undergrounding) in a timely manner. Current $1.1B program over seven years is only the first of a longer-term program going out 20 years.
  - **Transmission System Enhancements (~$1B):** Under MISO comprehensive expansion plan, NI is currently building two projects totaling ~$0.5B. Project 1 (~$0.3B, Reynolds-to-Topeka) is 100-mile, 345-kv line, with late 2018 in-service. Project 2 (~$0.2B, Greentown-to-Reynolds) is 66-mile, 765 Kv line, with in-service late 2018. Both projects carry FERC returns (11%+), above distribution utility authorized ROE of ~10%.
  - **Tracked Environmental Investments (~$0.5B):** Under Indiana SB 251, NI is allowed to recover federally-mandated costs incurred in connection with environmental compliance. In recent years, NI has invested ~$0.8B to fully scrub its coal-fired plants for mercury and other particulates.
  - **New Gas-Fired Generation (~$1.7B):** NI has identified $1.7B longer-term investment opportunity to construct new gas-fired generation facilities. Based on timing, we think movement unlikely before 2020, so too early to factor in at this time, but sizable potential upside opportunity longer-term.

Key Catalyst

- **NIPSCO Electric:** With fixed cost recovery for sizable 55% of residential distribution rates and environmental tracker in place, key focus on semi-annual Infrastructure program (TDSIC) filings each March and September, for true-ups in June and December, respectively.

Management

- After separation, NI as a stand-alone utility will be led by an experienced management team we view as capable of executing on the core infrastructure-driven growth strategy. A brief review of the senior management team is detailed below:
  - **Joseph Hamrock, President & CEO:** Prior to separation, Hamrock was EVP and CEO of NI's Gas Distribution segment since 2012. Previously, he served in a number of senior executive positions at AEP, including President & COO of AEP Ohio operations from 2008-2012, and CIO at AEP Ohio from 2003-2007.
  - **Jim Stanley, COO:** Prior to separation, Stanley was EVP and CEO of NIPSCO since 2012. Previously, he served in a number of senior executive positions at DUK, including SVP for U.S. Electric Power Delivery from 2010-2012, and President of Duke Energy Indiana from 2006-2010.
  - **Donald Brown, CFO:** Prior to separation, Brown was an EVP Finance at NI since 2015. Previously, he served in a number of senior executive positions at UGI, including CFO Utilities from 2010-2014, and Treasurer and Controller of UGI Utilities from 2005-2010.
  - **Carl Levander, CRO:** Prior to separation, Levander was president of Columbia Gas of VA. Previously, he served in a number of rate and regulatory positions at Columbia Gas.

Financials

- ***Capex and Cash Flow:*** New NI's capex program is projected at ~$1.3B in 2015, and ~$1.4B in 2016 and beyond, driven by gas and electric infrastructure spending which will be ~75% tracked. Gas spending is slightly heavier (~60% of total) than electric spending (~40%) given a multi-state footprint and lots of pipe replacement and other system modernization in the queue. For 2015, NI projects CFFO of ~$1.1B, covering ~80% of its requirements before dividends. Assuming ~$200mm in dividend payments, free CFFO covers ~70% of total requirements. The ~30% annual shortfall of ~$400mm we think will be funded by ~$50mm DRIP annually, and with short-term debt. For 2016 and beyond, we project a similar annual funding shortfall as 2015. As with other utilities, we would expect short-term debt balances to be periodically rolled into long-term debt at more favorable rates, as well as common equity issuances to maintain balance sheet integrity and investment grade credit ratings.
- ***Balance Sheet:*** New NI is expected to have a stable, but levered, balance sheet of ~35% equity at July 1. From a liquidity standpoint, NI is expected to have $200mm+ in cash and zero drawn on their $1.5B credit facility. NI should have ~$7.2B of total debt, with a weighted average maturity of ~14 years and a weighted average rate of 5.8%. NI has ~$2.6B of debt due over the next five years, or ~35% of total debt. We assume NI issues new debt to replace the maturing debt. The balance sheet, along with debt/capitalization metrics <70%, should support investment grade credit ratings to be issued near term by rating agencies. NI does not expect to need to issue equity until 2018/2019. However, given the company's a high projected capex spend and projected debt issuances, we expect new NI may be a more frequent issuer (every 3 years) of common than their heavily-regulated peers going forward.

Earnings

- For 2015, new NI has guided to $1.00-$1.10 in EPS, with 4-6% annualized growth into 2016 and beyond, in-line with industry peer-group averages. We think that growth is likely conservative. Rate base growth alone should get them to their targeted levels. New NI plans to spend $1.4B/yr in capex compared with DD&A of ~$500mm/yr and a ~$8B rate base. Notably, both gas and electric targeted spending plans have upside potential from additional modernization and generation enhancements not yet in plan. In addition, we see modest rate relief and faster customer growth (propane adds in IN and oil converts in MA) benefiting results. Our initial EPS estimates for 2016 and 2017 of $1.12 and $1.20, respectively, assume~7% annualized growth.

Dividends

- New NI is targeting an initial annual dividend of 62c/sh, with a targeted dividend payout ratio of 60-70%. Per NI, dividends are expected to grow in line with EPS, or ~4-6% annually, in-line with industry peer-group averages. New NI's 62c dividend represents a conservative 55%-59% of our FY'15 and FY'16 EPS estimates, with clear room for faster future growth. At the outset of its separation, we think NI implied payout ratio will be low for a 100% regulated utility, when compared with a higher peer average payout of ~65% for utilities with <80% regulated operations. We think NI may be pursuing a purposefully conservative payout to provide cushion for uncertainty in the first year.

** Important Disclosures on pages 10-11 of this report **

M&A

- Longer-term, we view new NI as a higher-profile, potential takeover candidate, given its significant size, geographic footprint and highly-visible growth optics. In recent years, takeovers of downstream utilities have accelerated tied to faster earnings and dividend growth rates, in large part due to accelerated infrastructure replacement and faster customer conversions tied to low commodity prices. Typical suitors have been larger electric-dominant utilities with slower load growth profiles searching for faster growth. Recent takeover multiples have averaged ~10.5x forward EBITDA and ~22x forward earnings, a ~10% increase from prices paid a decade ago.
- While an immediate take out of a company post spinoff has the potential to negate the tax-free status of the spin, we think that NI has been extremely diligent in ensuring they had no discussions with potential suitors for two years pre spin. There doesn't seem to be clear-cut rules as to how soon after the spin a transaction can take place. However, as we understand it, there is a safe harbor provision that provides that if an acquisition occurs more than two years after the spin-off, the tax-free status is preserved as long as the parties did not begin talking and negotiating until six months after the spin and as long as the acquisition was not consummated until two years post spin.

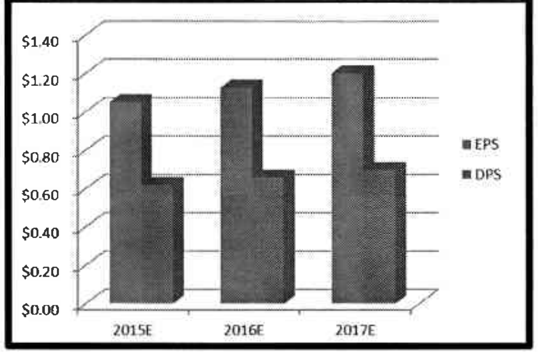
U.S. Capital Advisors

USCA Equity Research

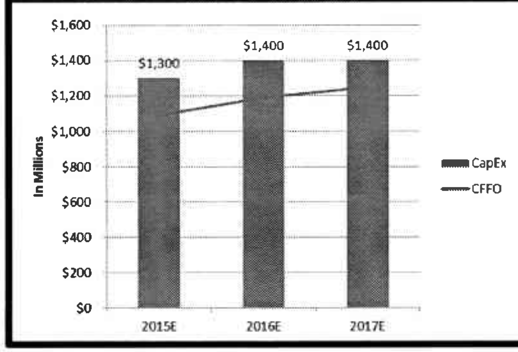
NI – June 16, 2015

Map of Service Territory

Estimated EPS & DIV



Capital Expenditures & Cash Flow



Management Team

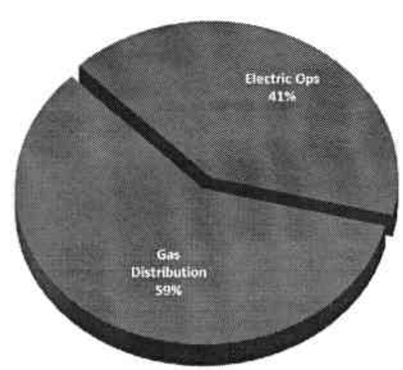
Joe Hamrock, President/CEO, 51

Jim Stanley, Executive VP/COO, 59

Donald Brown, Executive VP/CFO, 43

Carl Levander, Executive VP/CRO, NA

2016E EBITDA by Segment



NI Largest Shareholders	Position (000s)	Change (000s)	Shares Out (%)
Vanguard Group Inc.	25,830	1,113	8.14
T. Rowe Price Associates Inc.	22,849	858	7.20
Fidelity Management & Research Co.	17,923	1,968	5.65
SSgA Funds Management Inc.	15,553	(722)	4.90
BlackRock Fund Advisors	15,209	(1,057)	4.79
J.P. Morgan Investment Management Inc.	10,496	(326)	3.31
Deutsche Asset Management	10,205	(1,014)	3.22
Deutsche Investment Management Americas Inc.	5,609	(2,738)	1.77
Millennium Management LLC	5,542	3,930	1.75
Neuberger Berman LLC	4,959	767	1.56
Tortoise Capital Advisors L.L.C.	4,764	252	1.50
Massachusetts Financial Services Co.	4,635	2,778	1.46
INTECH Investment Management LLC	4,075	329	1.28
Northern Trust Investments Inc.	3,869	(96)	1.22
JPMorgan Chase Bank NA	3,659	217	1.15
Adage Capital Management LP	3,552	(1,540)	1.12
Victory Capital Management Inc.	3,445	(83)	1.09
Jennison Associates LLC	3,181	648	1.00
Pictet Asset Management SA	3,158	204	0.99
Cramer Rosenthal McGlynn LLC	3,153	1,668	0.99

** Important Disclosures on pages 10-11 of this report **

Sources: Bloomberg, Company Reports, USCA

U.S. Capital Advisors

	2013	2014	2015E	2016E	2017E
Income Statement ($mm)					
Revenue	$4,621	$5,253			
COGS	1,962	2,372			
Gross margin	$2,659	$2,881	$3,038	$3,205	$3,380
O&M	$1,273	$1,375	$1,403	$1,445	$1,488
DD&A	446	462	493	525	559
Other taxes & miscellaneous	225	238	252	266	280
Total operating expenses	$1,944	$2,076	$2,147	$2,236	$2,328
Operating income	$714	$805	$891	$969	$1,052
Other income	(3)	15	0	0	0
Interest expense			(375)	(409)	(422)
Pre-tax income			516	560	631
Income tax			(183)	(202)	(227)
Net income - reported			$333	$358	$404
Non recurring					
Net income - recurring			$333	$358	$404
EBITDA	$1,157	$1,282	$1,384	$1,494	$1,612
Cash Flow Statement ($mm)					
Cash Flow From Operations					
Net income			$333	$358	$404
Adjustment			758	831	844
Cash from operations			1,091	1,190	1,248
Cash from investing			(1,300)	(1,400)	(1,400)
Cash from financing			228	216	191
Change in cash			19	5	39
Beginning cash			0	19	25
Ending cash			$19	$25	$63
EPS					
Diluted			$1.05	$1.12	$1.20
Shares -Diluted (mm)			317.0	318.6	336.2
Dividends (per share)					
Dividend paid			$0.62	$0.66	$0.70
Payout ratio			59.1%	58.4%	58.0%
Capital Structure ($mm)					
Common Equity			$3,618	$3,409	$3,175
Long-Term Debt			6,700	7,050	7,400
Short-Term Debt & Current Mat.			0	0	0
Preferred & Minority Interest			0	0	0
Total Capitalization			$10,318	$10,459	$10,575
% Common Equity			35%	33%	30%
% Long-Term Debt			65%	67%	70%
% Short-Term Debt & Current Mat.			0%	0%	0%
% Preferred & Minority Interest			0%	0%	0%
			100%	100%	100%
Statistics					
Book Value Per Share			$11.41	$10.70	$9.44
Free Cash Flow Per Share			$2.82	$3.08	$3.02
Free Cash Flow/CapEx			69%	70%	72%
Return On Average Equity			9.2%	10.5%	12.7%

Source: USCA

** Important Disclosures on pages 10-11 of this report **

U.S. Capital Advisors

Important Disclosures:

Analyst Certification:

We, Daniel Fidell and Sarika Patel, do hereby certify that the recommendations and opinions expressed in this research report accurately reflect our personal views about any and all of the subject securities or issues discussed herein. Furthermore, no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report. We do not own any shares directly or indirectly (or any derivative thereof) of the company that is subject to this research report. Neither we nor any member of our households serves as an officer, director or advisory board member of the company that is subject to this research report.

Employees of U.S. Capital Advisors LLC ("USCA" or "the Firm") not involved in the preparation of this report may have investments in securities or derivatives of securities of companies mentioned in this report, and may buy, sell, or trade them in ways different from, or in a manner inconsistent with, the recommendations and opinions expressed in this report.

Analysts' Compensation:

Analysts' compensation is not based on investment banking revenue and the analysts are not compensated by the subject companies. In the past 12 months, USCA has received investment banking or other revenue from Spark Energy (SPKE). Additionally, within the next three months USCA may attempt to seek compensation for investment banking services from the companies mentioned within this report

Opinion Key:

USCA uses a Buy, Overweight, Hold, Underweight and Sell rating system.

BUY - The stock has among the best combination of risk/reward and positive company specific catalysts within the sector. Stock is expected to trade higher on an absolute basis and be a top performer relative to peer stocks over the next 12 months.

OVERWEIGHT - The stock has above average risk/reward and is expected to outperform peer stocks over the next 12 months.

HOLD - The stock has average risk/reward and is expected to perform in line with peer stocks over the next 12 months.

UNDERWEIGHT - The stock has below average risk/reward and is expected to underperform peer stocks over the next 12 months.

SELL - The stock's risk/reward is skewed to the downside with possible negative company specific catalysts or excessive valuation. The stock is expected to trade lower on an absolute basis and be among the worst performers relative to peer stocks over the next 12 months.

Price Target Methodology:

Our price targets for downstream utility stocks are developed through a combination of techniques, including relative and absolute measures. We believe it is important to look at both types of valuation methods in order to get a full understanding of a stock's trading dynamics. Our fair value estimate is based on a blended average of the two techniques.

Relative Valuation:

Downstream gas and electric utilities tend to trade on both projected earnings and cash flow. We believe investors should take both these considerations into account equally. Downstream utilities have

U.S. Capital Advisors

traded between 12-17 times forward earnings and 7-9 times EV-to-forward EBITDA over the last decade. With many downstream utilities operating under fiscal years' ending September 30, we typically use "forward-year" projections for proper apples-to-apples comparisons. Accordingly, our fair value estimates currently use our FY16 projections.

Absolute Valuation:

Given their status as income-producing investments, we believe it is also important to value downstream utilities based on the value of the future dividend streams. Unlike comparative valuation techniques, this method ignores the current or historic trading multiple implied by the market. Our DDM assumes a midterm growth rate based on our FY14-FY16 estimates, a long-term growth rate based on our forward projections using an assumed ROE (typically between 10-12%) and payout ratio (typically 60%-70%) and an equity risk premium using risk-free rates (currently 4.5%) and company Betas (average 0.8).

Risks:

An increase in interest rates, a poor regulatory decision, a decrease in commodity price volatility, bypass threat from large industrial customers, a decline in the broad market or a decline in profits from non-regulated operations are among the many potential risks to achieving our price targets.

Distribution of Ratings (as of June 16, 2015):

Recommendation	Count	Percent	Investment Banking Relationship	Count	Percent
Overweight/Buy	39	60%	Overweight/Buy	8	21%
Hold	26	40%	Hold	1	4%
Underweight/Sell	0	0%	Underweight/Sell	0	0%

Historical Ratings and Price Targets may be found by clicking the link below:

USCA Rating and Price Target History

USCA Glossary:

http://www.uscallc.com/assets/pdf/Glossary.pdf

For hard a hard copy of our price target/ratings history, please call 888-601-USCA (8722), or write to U.S. Capital Advisors, 1330 Post Oak Blvd., Suite 900, Houston, TX, 77056.

WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Underweight
Integrateds – Market Weight
IPPs – Market Overweight

May 12, 2015

NiSource Inc.

(NI US Equity – $ 44.46 – Outperform)

Dividing up the goods on Thursday

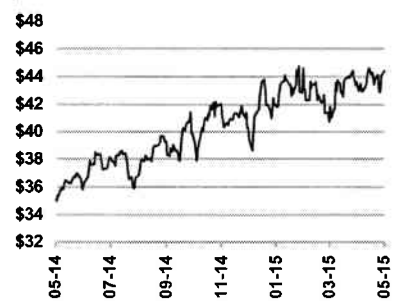
- **Segment details coming Thursday should reinforce value proposition**
  On Thursday NiSource will give guidance and detail the financial outlook for the utility and pipeline operations following the split expected on July 1. NI already announced separate dividends on Tuesday, which were generally in line with expectations. NI has one of the best growth stories in the midstream space, coupled with the MLP's cost of capital advantages. The utilities also have above-average growth potential. We reiterate our Outperform and $50 price target.

- **Utility – we expect 2015 guidance in the $1.00-$1.05 range**
  The main data point coming on the call for NI's utility operations will be the baseline EPS guidance for 2015, as the dividend ($0.62/sh) and long-term EPS/dividend growth rate (4%-6%) have already been disclosed. We believe that guidance will be in the $1.00-$1.05/sh range. The utility has above average growth potential supported by large, long-dated investment backlog and is located in solid regulatory environments.

- **CPGX dividend starts low, but best growth profile among C-corps**
  The earnings and EBITDA outlook for the pipeline segment will be the key announcement on the conference call. CPGX has one of the best growth profiles in the midstream space – the asset base is expected to triple by 2020 through projects almost fully locked in. NI announced an initial $0.50/sh dividend for CPGX on Tuesday. Based on our valuation we believe that this would represent a yield well below other midstream C-corps, but the 15% dividend growth rate, low payout, and even higher EBITDA growth potential supports this yield. We also expect more detail on the pace of EBITDA and distributable cash flow growth on the call.

Trading and Fundamental Data	
Target Price	**$ 50**
Current Price	$ 44.46
52 Week Range	$ 36 - $ 45
Market Cap. ($MM)	$ 14,111
Share Out. (MM)	317.4
Dividend Yield	2.46%
Dividend Payout Ratio	61.2%
ROE	8.3%
Debt to Cap	61.8%
Avg Daily Vol (ooo)	2,150

Price Performance	YTD	LTM
NI US Equity	5%	24%
Utility Index	-8%	4%
S&P 500	2%	11%



Source: FactSet/Wolfe Research

Estimates / Valuation				
(US$)	**2015E**	**2016E**	**2017E**	**2018E**
EPS	$1.85	$1.98	$2.22	$2.47
Consensus	$1.81	$1.90	$2.02	$2.36
P/E	23.5x	21.9x	19.6x	17.6x
Dividend Per Share	$1.07	$1.16	$1.27	$1.38
Dividend Yield	2.5%	2.7%	2.9%	3.2%

Steven Fleishman
(646) 582-9241
SFleishman@WolfeResearch.com

Alex Kania
(646) 582-9244
AKania@WolfeResearch.com

WOLFE RESEARCH

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2015E	2016E	2017E	2018E
EPS	$1.85	$1.98	$2.22	$2.47
Diluted Shares Outstanding	318	325	329	330
Dividends Per Share	$1.07	$1.16	$1.27	$1.38
Dividend Yield	2.5%	2.7%	2.9%	3.2%
Dividend Payout Ratio	58%	59%	57%	56%
Equity Ratio	39%	38%	37%	37%
FFO/Net Debt	13%	13%	13%	13%
Valuation Metrics				
P/E	23.5x	21.9x	19.6x	17.6x
Price/Book	2.0x	1.8x	1.7x	1.6x
Segment EPS				
Gas Distribution	$0.89	$0.93	$0.99	$1.05
Transmission & Storage	0.81	0.90	1.09	1.26
Electric	0.46	0.48	0.51	0.54
Parent & Other	(0.32)	(0.34)	(0.37)	(0.38)
Total EPS	**$1.85**	**$1.98**	**$2.22**	**$2.47**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2015E	2016E	2017E	2018E
Total Capital Spending by Segment ($M)				
Gas Distribution	$790	$760	$730	$730
Transmission & Storage	1,255	1,542	1,474	699
Electric	593	593	593	593
Parent	50	50	50	50
Total Capex	**$2,688**	**$2,945**	**$2,847**	**$2,072**
Financings ($M)				
Total Equity Issued/(Repurchased)	$300	$275	$45	$45
Total Debt Issued/(Repurchased)	$1,180	$1,448	$1,338	$515

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates three separate business lines: electric utility, gas distribution, and midstream natural gas. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.4 million customers in Ohio, Pennsylvania, Kentucky, Virginia, and Massachusetts. Finally, the midstream segment, Columbia Pipeline Group, operates 15,000 miles of interstate gas pipelines and has a large set of storage assets across its footprint.

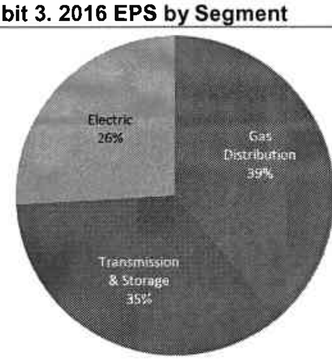
Investment Thesis

We believe that the significant investment opportunities in the midstream space will serve to boost NI's long term growth rate higher over the next five years, up from the current 5%-7%. We see up to $10B of known investment opportunities in the gas infrastructure segment over the next five years with a substantial likelihood of upside, plus the cost of capital benefits from NI's MLP.

Valuation

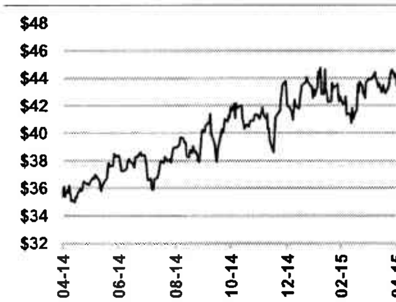
Our $50 price target is from our sum of parts valuation. We apply a 16x multiple to 2017E electric utility earnings and a 17x multiple to 2017E gas distribution earnings, and 17x parent drag. We value midstream on an MLP basis targeting a 5% yield. Downside risks for NiSource are execution on project development, economic conditions and long-term performance of an MLP. Upside risks are additional growth projects in midstream.

Exhibit 3. 2016 EPS by Segment



Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart



Source: Bloomberg

Investment Conclusion

NiSource's conference calls on Thursday will be the first detailed look into the separate financial outlooks for the utility and pipeline operations following the July 1 corporate split. We expect the disclosures to highlight the value upside potential of the two segments given the solid management teams, balance sheets and $30B+ investment backlogs. NiSource remains one of our favorite natural gas infrastructure plays. The utility and pipeline segments are both attractive and we believe there could be increased interest from both investors and even strategic players. The MLP also gives the pipeline segment a low cost of capital to help fund the best in class growth. We reiterate our Outperform rating on NiSource and $50 target price. Please see our sum of parts valuation on the following page.

Utility: Key disclosure is 2015 guidance

NiSource has been fairly open about the utility long term picture, and we believe the key disclosure on the call will be the 2015 guidance. We believe that utility guidance will be in the $1.00-$1.05/sh range. Based on the $0.62/sh dividend announced on Tuesday, our expectation for utility earnings would imply a payout ratio in the low to mid-60% range, in line with the utility group average. Moreover, we expect NI to reiterate a long-term utility growth rate of 4%-6%. With a $30B backlog of investments at the gas and electric segments, we believe NI will be able to sustain an above average growth rate well into the next decade.

Pipeline: EPS, EBITDA and cash flow outlook

We believe that there will be more new to say on the Columbia Pipeline Group front as NI has not given many specifics on the outlook apart from the $0.50/sh dividend announcement. We are expecting a longer term financial outlook that could include earnings, EBITDA and some measures of distributable cash flow. The company has hinted at a 15%-20% EBITDA growth potential through the end of the decade, and we see a similar rate for distributable cash flow. We also believe that management will give some insight into appropriate comparable companies in the midstream space. We currently see 2015 EBITDA in the $600-$650M range after excluding the amount attributed to the MLP.

Why we are OK with a relatively low yield at CPGX

On Tuesday NiSource announced an initial dividend of $0.50/sh annualized for CPGX. Based on our sum of parts valuation (which puts CPGX at $31/sh) the initial yield would only be about 1.6% - far below that of comparable midstream C-corporations and general partners. We are still comfortable with this low potential yield for a few reasons. First, CPGX has the best investment backlog in the midstream space. The company has cited a $12-$15B investment inventory, three times the size of the current asset base. Second, the announced 15% dividend growth rate through 2020 is well above the average for the peer group. Finally, the current dividend payout on distributable cash is much lower than average. Comps tend to pay out 1-1.2x of distributable cash; we believe that CPGX's coverage ratio will be closer to 2x. In the near term this means CPGX will have excess cash flow to invest in growth projects. Once growth capex tapers off in out years the low payout means CPGX will have a runway to continue significant dividend growth over time.

WOLFE RESEARCH

NiSource Inc.

May 12, 2015

Exhibit 5: NiSource sum of parts

Regulated Operations	Valuation Metric	Estimate - 2017	Valuation Multiple	$MM Value
Electric Utility	P/E	166	16.0	2,659
Gas Distribution	P/E	326	17.0	5,535
Parent Drag	P/E	(122)	17.0	(2,068)
Equity Value of Utility				**6,126**
per share				*$19*
MLP Valuation	**2019E**			
LP Stake				
Total LP Distributions	451			
Less Taxes on Distributions	(99)	Assume 20% tax rate		
Net After Tax Distributions	352			
Target Equity Yield	5.00%			
Equity Value of MLP LP	**5,908**	Discounted back 3 years		
per share	$19			
GP Stake				
Total GP Distributions	292			
Less Taxes on Distributions	(102)	Assume 35% tax rate		
Net After Tax Distributions	190			
Target Equity Yield of GP	4.00%			
Equity Value of MLP GP	**3,989**	Discounted back 3 years		
per share	$13			
Total Equity Value of MLP to NiSource				**9,897**
per share				*$31*
NiSource Equity Value				**$16,023**
Fully Diluted Outstanding Shares				317.5
NI Equity Value per Share				**$50**

Source: Wolfe Research

DISCLOSURE SECTION

Analyst Certification:

The analyst of Wolfe Research, LLC primarily responsible for this research report whose name appears first on the front page of this research report hereby certifies that (i) the recommendations and opinions expressed in this research report accurately reflect the research analysts' personal views about the subject securities or issuers and (ii) no part of the research analysts' compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this report.

Important Disclosures:

Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NI US Equity	Sum of parts: P/E on utility, EV/EBITDA on midstream

Wolfe Research, LLC Fundamental Target Price Risks:

Company:	Fundamental Target Price Risks:
NI US Equity	Economy, regulatory outcomes, project execution

Wolfe Research, LLC Research Disclosures:

Company:	Research Disclosures:
NI US Equity	None

Other Disclosures:

Wolfe Research, LLC Fundamental Stock Ratings Key:

Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.
Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
Underperform (UP):	The security is projected to underperform analyst's industry coverage universe over the next 12 months.

Wolfe Research, LLC uses a relative rating system using terms such as Outperform, Peer Perform and Underperform (see definitions above). Please carefully read the definitions of all ratings used in Wolfe Research, LLC research. In addition, since Wolfe Research, LLC research contains more complete information concerning the analyst's views, please carefully read Wolfe Research, LLC research in its entirety and not infer the contents from the ratings alone. In all cases, ratings (or research) should not be used or relied upon as investment advice and any investment decisions should be based upon individual circumstances and other considerations.

Wolfe Research, LLC Sector Weighting System:

Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

Wolfe Research, LLC Distribution of Fundamental Stock Ratings (As of March 31, 2015):

Outperform:	42%	1% Investment Banking Clients
Peer Perform:	49%	1% Investment Banking Clients
Underperform:	9%	0% Investment Banking Clients

Wolfe Research, LLC does not assign ratings of Buy, Hold or Sell to the stocks it covers. Outperform, Peer Perform and Underperform are not the respective equivalents of Buy, Hold and Sell but represent relative weightings as defined above. To satisfy regulatory requirements, Outperform has been designated to correspond with Buy, Peer Perform has been designated to correspond with Hold and Underperform has been designated to correspond with Sell.

Wolfe Research Securities and Wolfe Research, LLC have adopted the use of Wolfe Research as brand names. Wolfe Research Securities, a member of FINRA (www.finra.org) is the broker-dealer affiliate of Wolfe Research, LLC and is responsible for the contents of this material. Any analysts publishing these reports are dually employed by Wolfe Research, LLC and Wolfe Research Securities.

The content of this report is to be used solely for informational purposes and should not be regarded as an offer, or a solicitation of an offer, to buy or sell a security, financial instrument or service discussed herein. Opinions in this communication constitute the current judgment of the author as of the date and time of this report and are subject to change without notice. Information herein is believed to be reliable but Wolfe Research and its affiliates, including but not limited to Wolfe Research Securities, makes no representation that it is complete or accurate. The information provided in this communication is not designed to replace a recipient's own decision-making processes for assessing a proposed transaction or investment involving a financial instrument discussed herein. Recipients are encouraged to seek financial advice from their financial advisor regarding the appropriateness of investing in a security or financial instrument referred to in this report and should understand that statements regarding the future performance of the financial instruments or the securities referenced herein may not be realized. Past performance is not indicative of future results. This report is not intended for distribution to, or use by, any person or entity in any location where such distribution or use would be contrary to applicable law, or which would subject Wolfe Research, LLC or any affiliate to any registration requirement within such location. For additional important disclosures, please see www.WolfeResearch.com/Disclosures.

The views expressed in Wolfe Research, LLC research reports with regards to sectors and/or specific companies may from time to time be inconsistent with the views implied by inclusion of those sectors and companies in other Wolfe Research, LLC analysts' research reports and modeling screens. Wolfe Research communicates with clients across a variety of mediums of the clients' choosing including emails, voice blasts and electronic publication to our proprietary website.

This report is limited for the sole use of clients of Wolfe Research. Authorized users have received an encryption decoder which legislates and monitors the access to Wolfe Research, LLC content. Any distribution of the content produced by Wolfe Research, LLC will violate the understanding of the terms of our relationship.

WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Underweight
Integrateds – Market Weight
IPPs – Market Overweight

May 15, 2015

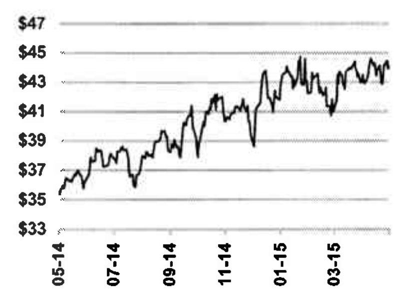
NISOURCE INC.

(NI US Equity – $ 44.16 – Outperform)

Midstream outlook even better post split

Trading and Fundamental Data	
Target Price	**$ 50**
Current Price	$ 44.16
52 Week Range	$ 36 - $ 45
Market Cap. ($MM)	$ 14,015
Share Out. (MM)	317.4
Dividend Yield	2.42%
Dividend Payout Ratio	61.2%
ROE	8.3%
Debt to Cap	61.8%
Avg Daily Vol (ooo)	2,815

Price Performance	YTD	LTM
NI US Equity	4%	22%
Utility Index	-8%	4%
S&P 500	2%	11%



Source: Bloomberg/Wolfe Research

- **Story looking better after financial outlooks, especially midstream**
  While the stock's reaction was relatively muted from the segment financial outlooks we came away feeling better overall about the NiSource story heading into the split. Even though utility guidance for 2016 is a little under our estimate, the midstream outlook was better than expected: 20% EBITDA growth is higher than our estimates and there is a lot of upside potential in out years. We continue to see NI as an attractive gas infrastructure play that benefits from a solid utility, best in class midstream growth, and the cost of capital benefits from the MLP. Outperform.

- **Utility guidance a few cents light but a high quality operation**
  NiSource introduced standalone 2016 operating EPS guidance for the utility of $1.00-$1.10/sh. The midpoint is a little below our 2016E of $1.08. Management reiterated the 4%-6% long term growth rate and suggested the $30B investment backlog could mean this growth rate could endure for a long time. The operations remain high quality, with balanced regulation and little regulatory lag given trackers.

- **CPG growth outlook – fast growth near term, options in out years**
  CPG management boosted the EBITDA growth outlook to 20% through the end of the decade, up from the previous mid-to-high teens outlook and better than we have assumed. Moreover, $1B in identified incremental growth capex would represent further upside, and CPG will have a lot of options on cash deployment when the bulk of the growth capex rolls off after 2018. As we expected, CGPX will also start at a conservative (2x) coverage on the dividend which will give it a runway to continue dividend growth even as organic EBITDA growth slows.

Estimates / Valuation				
(US$)	**2015E**	**2016E**	**2017E**	**2018E**
EPS	$1.85	$1.98	$2.22	$2.47
Consensus	$1.81	$1.90	$2.00	$2.36
P/E	23.9x	22.3x	19.9x	17.9x
Dividend Per Share	$1.07	$1.16	$1.27	$1.38
Dividend Yield	2.4%	2.6%	2.9%	3.1%

Steven Fleishman
(646) 582-9241
SFleishman@WolfeResearch.com

Alex Kania
(646) 582-9244
AKania@WolfeResearch.com

WOLFE RESEARCH

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2015E	2016E	2017E	2018E
EPS	$1.85	$1.98	$2.22	$2.47
Diluted Shares Outstanding	318	325	329	330
Dividends Per Share	$1.07	$1.16	$1.27	$1.38
Dividend Yield	2.4%	2.6%	2.9%	3.1%
Dividend Payout Ratio	58%	59%	57%	56%
Equity Ratio	39%	38%	37%	37%
FFO/Net Debt	13%	13%	13%	13%
Valuation Metrics				
P/E	23.9x	22.3x	19.9x	17.9x
Price/Book	2.0x	1.8x	1.8x	1.7x
Segment EPS				
Gas Distribution	$0.89	$0.93	$0.99	$1.05
Transmission & Storage	0.81	0.90	1.09	1.26
Electric	0.46	0.48	0.51	0.54
Parent & Other	(0.32)	(0.34)	(0.37)	(0.38)
Total EPS	**$1.85**	**$1.98**	**$2.22**	**$2.47**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2015E	2016E	2017E	2018E
Total Capital Spending by Segment ($M)				
Gas Distribution	$790	$760	$730	$730
Transmission & Storage	1,255	1,542	1,474	699
Electric	593	593	593	593
Parent	50	50	50	50
Total Capex	**$2,688**	**$2,945**	**$2,847**	**$2,072**
Financings ($M)				
Total Equity Issued/(Repurchased)	$300	$275	$45	$45
Total Debt Issued/(Repurchased)	$1,180	$1,448	$1,338	$515

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates three separate business lines: electric utility, gas distribution, and midstream natural gas. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.4 million customers in Ohio, Pennsylvania, Kentucky, Virginia, and Massachusetts. Finally, the midstream segment, Columbia Pipeline Group, operates 15,000 miles of interstate gas pipelines and has a large set of storage assets across its footprint.

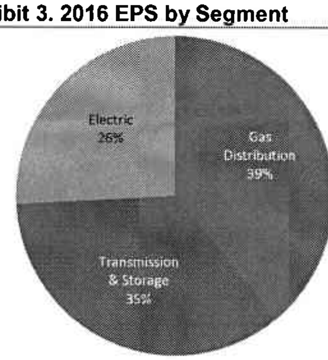
Investment Thesis

We believe that the significant investment opportunities in the midstream space will serve to boost NI's long term growth rate higher over the next five years, up from the current 5%-7%. We see up to $10B of known investment opportunities in the gas infrastructure segment over the next five years with a substantial likelihood of upside, plus the cost of capital benefits of forming an MLP.

Valuation

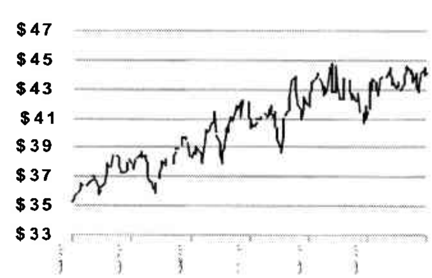
Our $50 price target is from our sum of parts valuation. We apply a 16x multiple to 2017E electric utility earnings and a 17x multiple to 2017E gas distribution earnings, and 17x parent drag. We value midstream on an MLP basis targeting a 5% yield. Downside risks for NiSource are execution on project development, economic conditions and long-term performance of an MLP. Upside risks are additional growth projects in midstream.

Exhibit 3. 2016 EPS by Segment



Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart



Source: Bloomberg

Investment thesis

The standalone financial outlooks for the utility and midstream segments confirmed our view in the value of NiSource going into the split on July 1. In fact, the higher EBTIDA growth rate at Columbia, coupled with the potential for upside in 2019/2020 given the strong cash position suggest to us that there may be more upside at the CPG side in particular relative to our current valuation. We are reviewing our estimates and valuation following the call pending our meetings with both management teams at the AGA conference next week. NI remains one of our favored gas infrastructure plays and we reiterate our Outperform.

Highlights from the utility call

- **2016 guidance a few pennies light vs. our estimate.** NI gave standalone utility guidance of $1.00-$1.10 for 2016. Our utility estimate is currently $1.08, a few cents below the midpoint.

- **4%-6% long term growth.** The $30B long-term investment backlog will support 4%-6% EPS growth at least through the end of the decade. This is consistent with previous comments by the company and in line with our expectations.

- **Solid regulatory jurisdictions.** NiSource management highlighted the balanced regulatory constructs in the states it operates in. In most states a significant amount of capital spending is covered under trackers, minimizing regulatory lag. All of its jurisdictions earn fairly close to allowed levels.

- **Will likely need additional equity to fund growth over time.** NI currently has a DRIP in place for about $50M per year - this will continue. Over time management indicated that there could be the need for equity beyond the DRIP to maintain the balance sheet given the amount of growth capex being spent. However it was difficult to determine timing or size at this point.

Highlights from the CPG call

- **2015 EBITDA guidance about in line.** CPG introduced 2015 EBITDA of $680M. This is the EBITDA for the Columbia OpCo and includes the stakes for both CPGX and CPPL. It is about in line with our estimates on an apples to apples basis. Management also gave some guidance on maintenance capex ($135M average 2015-2020), interest expense, and cash taxes which were consistent with our expectations.

- **20% long term EBITDA growth better than expected...** NiSource had previously suggested EBITDA growth at the midstream segment would be in the mid to high teens. The new 20% growth rate through 2020 now incorporates the $2.6B Mountaineer/Gulf Xpress projects which will come into service in late 2019. This is better than our estimates which did not assume the new projects.

- **... and there's tangible upside.** CPG's capex forecast includes $1B of projects that are in early development but management feels are ultimately highly likely to move forward. Importantly, even though this spending is in capex, the projects are not included in the 20% EBITDA growth outlook. This also does not incorporate any other projects that CPG may find over the next few years.

- **Conservative dividend payout to start.** The $0.50/sh dividend that was announced earlier in the week is a conservative one. The company indicated that the coverage on distributable cash flow is about 2x, which is about double that of other GPs. This allows CPG to reinvest this excess cash into the growth initiatives (which we believe is the right thing to do) over the next couple years, and gives the company room to continue to growth the distribution even as organic growth slows.

- **A lot of optionality for 2019/2020**. The bulk of the known investment backlog goes into service by late 2018 including the new $2.6B total Mountaineer/Gulf XPress projects. The cash flow situation then becomes a lot better in 2019/2020. Management underscored this and suggested that it gives CPG a lot of options with respect to finding more projects or using the cash for other balance sheet actions or higher dividend growth.

WOLFE RESEARCH

Exhibit 5: NiSource sum of parts valuation

Regulated Operations	**Valuation Metric**	**Estimate - 2017**	**Valuation Multiple**	**$MM Value**
Electric Utility	P/E	166	16.0	2,659
Gas Distribution	P/E	326	17.0	5,535
Parent Drag	P/E	(122)	17.0	(2,068)
Equity Value of Utility				**6,126**
per share				*$19*

MLP Valuation	**2019E**		
LP Stake			
Total LP Distributions	451		
Less Taxes on Distributions	(99)	Assume 20% tax rate	
Net After Tax Distributions	352		
Target Equity Yield	5.00%		
Equity Value of MLP LP	**5,908**	Discounted back 3 years	
per share	$19		
GP Stake			
Total GP Distributions	292		
Less Taxes on Distributions	(102)	Assume 35% tax rate	
Net After Tax Distributions	190		
Target Equity Yield of GP	4.00%		
Equity Value of MLP GP	**3,989**	Discounted back 3 years	
per share	$13		
Total Equity Value of MLP to NiSource			**9,897**
per share			*$31*
NiSource Equity Value			**$16,023**
Fully Diluted Outstanding Shares			317.5
NI Equity Value per Share			**$50**

Source: Wolfe Research

DISCLOSURE SECTION

Analyst Certification:

The analyst of Wolfe Research, LLC primarily responsible for this research report whose name appears first on the front page of this research report hereby certifies that (i) the recommendations and opinions expressed in this research report accurately reflect the research analysts' personal views about the subject securities or issuers and (ii) no part of the research analysts' compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this report.

Important Disclosures:

Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NI US Equity	Sum of parts: P/E on utility, EV/EBITDA on midstream

Wolfe Research, LLC Fundamental Target Price Risks:

Company:	Fundamental Target Price Risks:
NI US Equity	Economy, regulatory outcomes, project execution

Wolfe Research, LLC Research Disclosures:

Company:	Research Disclosures:
NI US Equity	None

Other Disclosures:

Wolfe Research, LLC Fundamental Stock Ratings Key:

Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.
Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
Underperform (UP):	The security is projected to underperform analyst's industry coverage universe over the next 12 months.

Wolfe Research, LLC uses a relative rating system using terms such as Outperform, Peer Perform and Underperform (see definitions above). Please carefully read the definitions of all ratings used in Wolfe Research, LLC research. In addition, since Wolfe Research, LLC research contains more complete information concerning the analyst's views, please carefully read Wolfe Research, LLC research in its entirety and not infer the contents from the ratings alone. In all cases, ratings (or research) should not be used or relied upon as investment advice and any investment decisions should be based upon individual circumstances and other considerations.

Wolfe Research, LLC Sector Weighting System:

Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

Wolfe Research, LLC Distribution of Fundamental Stock Ratings (As of March 31, 2015):

Outperform:	42%	1% Investment Banking Clients
Peer Perform:	49%	1% Investment Banking Clients
Underperform:	9%	0% Investment Banking Clients

Wolfe Research, LLC does not assign ratings of Buy, Hold or Sell to the stocks it covers. Outperform, Peer Perform and Underperform are not the respective equivalents of Buy, Hold and Sell but represent relative weightings as defined above. To satisfy regulatory requirements, Outperform has been designated to correspond with Buy, Peer Perform has been designated to correspond with Hold and Underperform has been designated to correspond with Sell.

Wolfe Research Securities and Wolfe Research, LLC have adopted the use of Wolfe Research as brand names. Wolfe Research Securities, a member of FINRA (www.finra.org) is the broker-dealer affiliate of Wolfe Research, LLC and is responsible for the contents of this material. Any analysts publishing these reports are dually employed by Wolfe Research, LLC and Wolfe Research Securities.

The content of this report is to be used solely for informational purposes and should not be regarded as an offer, or a solicitation of an offer, to buy or sell a security, financial instrument or service discussed herein. Opinions in this communication constitute the current judgment of the author as of the date and time of this report and are subject to change without notice. Information herein is believed to be reliable but Wolfe Research and its affiliates, including but not limited to Wolfe Research Securities, makes no representation that it is complete or accurate. The information provided in this communication is not designed to replace a recipient's own decision-making processes for assessing a proposed transaction or investment involving a financial instrument discussed herein. Recipients are encouraged to seek financial advice from their financial advisor regarding the appropriateness of investing in a security or financial instrument referred to in this report and should understand that statements regarding the future performance of the financial instruments or the securities referenced herein may not be realized. Past performance is not indicative of future results. This report is not intended for distribution to, or use by, any person or entity in any location where such distribution or use would be contrary to applicable law, or which would subject Wolfe Research, LLC or any affiliate to any registration requirement within such location. For additional important disclosures, please see www.WolfeResearch.com/Disclosures.

The views expressed in Wolfe Research, LLC research reports with regards to sectors and/or specific companies may from time to time be inconsistent with the views implied by inclusion of those sectors and companies in other Wolfe Research, LLC analysts' research reports and modeling screens. Wolfe Research communicates with clients across a variety of mediums of the clients' choosing including emails, voice blasts and electronic publication to our proprietary website.

This report is limited for the sole use of clients of Wolfe Research. Authorized users have received an encryption decoder which legislates and monitors the access to Wolfe Research, LLC content. Any distribution of the content produced by Wolfe Research, LLC will violate the understanding of the terms of our relationship.

WOLFE RESEARCH

UTILITIES & POWER
Regulateds – Market Underweight
Integrateds – Market Weight
IPPs – Market Overweight

June 14, 2015

NISOURCE INC.

(NI US Equity – $ 45.96 – Outperform)

Premier pipeline and LDC – take your pick

- **Buy into the split; price target to $54**
NI has been a top performer this year, but we continue to see it as an opportunity going into the July 1 split. As the segments will start trading when-issued on June 17, we have updated our estimates and valuations of the two business lines. We are more positive on the company, particularly Columbia Pipeline Group (GPGX), which has higher EBITDA growth potential and value accretion from the MLP than we had previously estimated. In this report we take an in-depth look into the valuation of each piece of NI, including detailed financial forecasts. We are boosting our price target on NiSource to $54 from $50 largely on the pipeline upside and are reiterating our Outperform rating.

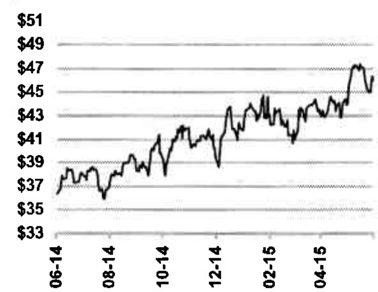
- **CPGX: GP with a lot of growth runway beyond 2020: $35 value**
CPGX has two major advantages going for it. First, it has an unmatched inventory of growth projects – nearly $9B of locked in projects that will go into service by the end of 2018. This brings with it 20% EBITDA growth over the next 5 years. Second, CPGX has a significant amount of room to continue distribution growth well beyond 2020 given its ample coverage, underlevered balance sheet, and significant backlog of assets to be dropped into the MLP. We believe CPGX will able to grow dividends by at least 15% on average for the next decade. We now see fair value of CPGX at $35 from $31 previously.

- **Utility: solid growth, high quality assets: $19 value**
NiSource's utility operations are a high quality mix of electric and gas LDCs. There is a decades-long, $30B investment backlog for the utilities and we believe the company should be able to grow toward the high end of the 4%-6% growth rate. We also expect solid valuation support given its gas LDC-heavy business profile. We continue to have a $19 valuation on the utility.

Estimates / Valuation				
(US$)	2015E	2016E	2017E	2018E
EPS	$1.85	$1.98	$2.22	$2.47
Consensus	$1.81	$1.89	$2.00	$2.41
P/E	24.9x	23.2x	20.7x	18.6x
Dividend Per Share	$1.07	$1.16	$1.27	$1.38
Dividend Yield	2.3%	2.5%	2.8%	3.0%

Trading and Fundamental Data	
Target Price	$ 54
Current Price	$ 45.96
52 Week Range	$ 36 - $ 48
Market Cap. ($MM)	$ 14,587
Share Out. (MM)	317.4
Dividend Yield	2.32%
Dividend Payout Ratio	61.2%
ROE	8.3%
Debt to Cap	61.8%
Avg Daily Vol (ooo)	1,682

Price Performance	YTD	LTM
NI US Equity	8%	24%
Utility Index	-11%	0%
S&P 500	2%	8%



Source: Bloomberg/Wolfe Research

Key Changes		
Year	New	Old
Target Price	$54	$50

Steven Fleishman
(646) 582-9241
SFleishman@WolfeResearch.com

Alex Kania
(646) 582-9244
AKania@WolfeResearch.com

Investment Conclusion

NiSource remains one of our favored gas infrastructure names. The detailed financial outlooks given by NI for the utility and pipeline operations last month has bolstered our view of the upside potential of the stock in front of the corporate split on July 1. Columbia Pipeline Group (CPGX) and the utility-only NiSource will commence trading on a when-issued basis on June 17. The utility outlook remains largely in line with our expectations and it should be attractive to utility investors looking for low risk and above average growth potential. The pipeline operations are more intriguing, with a higher EBITDA growth over the next 5 years than we had previously expected. After doing more work on the cash flow profile and dropdown strategy with the MLP, we now see more value upside for CPGX – around $35 vs. $31 previously. We continue to see a $19 value for the utility operations. Based on the higher value for CPGX we are boosting our target price for NiSource (pre-split) to $54 from $50 and we reiterate our Outperform rating.

The breakup begins June 17

NiSource is close to wrapping up the split of the utility and pipeline operations it announced last fall. While the split officially occurs on July 1 with the two stocks starting to trade regular way on July 2, when-issued trading will start on June 17. This will be the first opportunity to see how the market is valuing the individual segments. We believe that fair value for CPGX should be $35 and NiSource "classic" should be $19 per share.

NiSource "Classic": Good operations, balanced regulation, lots of investment

About two-thirds of NI's utility earnings come from its gas LDCs. It has gas operations in seven states – Indiana, Ohio, Pennsylvania, Kentucky, Maryland, and Massachusetts, and Virginia. In virtually all of these states, NI's primary investment category – infrastructure modernization – is fully tracked with minimal lag. The sole electric operation is Northern Indiana Public Service, a vertically integrated utility. Regulation is solid, with the state and the utility working on an infrastructure rider for distribution reliability investment on the electric side. Rate cases in IN are also spaced 7 years apart, reducing regulatory risk further.

CPGX: Central location with access to the Marcellus and Utica

Columbia Pipeline Group is ideally positioned to link the Marcellus and Utica shales with the growing demand in the Gulf as well as the Mid-Atlantic. CPG has a multitude of growth projects, totaling $9B of investment, that are fully committed and set to go into service in the next three years. Key projects for the Gulf demand include Rayne-Leach Xpress, Mountaineer Xpress, and Cameron Access, which will bolster takeaway capacity down south as well as improve infrastructure in Louisiana for the LNG export boom. To the east, WB Xpress and the East Side expansion will improve access of LDCs in NJ, MD, and VA to Marcellus capacity. On a smaller scale, Columbia is also working on midstream pipelines to assist gathering and processing in the Marcellus and Utica.

Wild card: strategic buyers in the wings?

Columbia's footprint and investment backlog would be highly attractive to the larger midstream players that are hungry for growth opportunities. We would not be surprised if multiple companies would be actively interested once the spin is completed. The utility operations could also prove attractive for strategics interested in adding the long-duration investment plans.

Utility: Conservative outlook, low risk; $19 target valuation

The utility operations are a high quality blend of electric and natural gas distribution utilities, with a 20+ year backlog of investments in balanced regulatory jurisdictions. The majority of the spending is under trackers, allowing realtime recovery of spending. The company has set earnings growth at 4%-6% long term, and given the size and duration of the annual spend we believe the company should be able to grow closer to the upper end of that range. Additionally, right out of the gate NiSource would be one of the largest gas LDCs in the sector.

Earnings outlook: good growth, need to watch the balance sheet

We expect EPS at the utilities to grow at over 5% annually through 2019. Our utility EPS estimates for 2016-2019 are $1.08/$1.14/$1.21/$1.28 – a 5.4% EPS CAGR. The solid backlog of investments supports annual capex of about $1.5B annually. With a $30B backlog of visible modernization projects on the gas and electric side, we believe the utility will be able to grow at an above- average rate well beyond our forecast period. Apart from ensuring the regulatory environments remain balanced, the other key risk for NI's management team will be the balance sheet. Following the split NI's leverage will be somewhat higher than other LDCs in the space. This should improve over time via growth and the DRIP; it will be something to keep tabs on.

Valuation: LDCs get a premium

NiSource post split will be two-thirds natural gas LDC, one-third electric utility. Currently LDCs trade at a two turn premium to the electric utilities, mainly on the perceived lower risk profile of gas distribution vs. electric operations, and long runway of growth investment. Gas utilities also tend to have more capital spending under trackers, and there is broad adoption of decoupling mechanisms. Based on consensus estimates, the higher quality LDCs trade at about 15x-17x 2017 earnings. We expect NI to trade in this range following the split. Our $19 target price is based on a 16.5x multiple on our 2017 utility-only EPS estimate of $1.14.

Exhibit 1: LDC comparables

Company		Current	Mkt Cap	P/E Multiple			Div	Div	Payout	Price/	Equity
Name	Ticker	Price	($M)	2015E	2016E	2017E	Yield	Growth (E)	Ratio	Book	Ratio
AGL Resources Inc	GAS	$47.97	$5,753	16.1x	15.8x	15.0x	4.3%	6.5%	68%	1.5x	43%
Atmos Energy Corp	ATO	51.47	5,199	17.0	16.0	15.1	3.0%	6.2%	51%	1.7	54%
Southwest Gas Corp	SWX	52.98	2,482	17.0	15.9	15.1	3.1%	4.5%	52%	1.6	48%
WGL Holdings Inc	WGL	55.22	2,746	19.4	18.8	17.1	3.4%	6.3%	65%	2.1	53%
One Gas	OGS	42.39	2,229	19.4	18.1	17.0	2.8%	5.0%	55%	1.2	59%
Piedmont Natural Gas Co Inc	PNY	36.32	2,869	19.5	18.1	17.5	3.6%	6.3%	71%	2.0	42%
Questar Corp	STR	21.23	3,730	16.6	15.8	15.5	4.0%	4.5%	66%	2.9	43%
New Jersey Resources Corp	NJR	27.68	2,369	16.2	16.7	16.3	3.3%	-1.1%	53%	2.1	51%
Northwest Natural Gas Co	NWN	42.77	1,169	19.6	18.9	17.3	4.3%	4.0%	85%	1.5	46%
UGI Corp	UGI	35.32	6,093	18.1	16.3	15.8	2.6%	8.0%	47%	2.2	50%
Laclede Group Inc/The	LG	51.68	2,239	16.2	15.3	15.0	3.6%	4.7%	58%	1.4	41%
Vectren Corp	VVC	39.89	3,296	16.1	15.1	14.2	3.8%	5.5%	61%	2.0	48%
Average				**17.6x**	**16.7x**	**15.9x**	**3.5%**	**5.0%**	**61%**	**1.8x**	**48%**
Average - electric utilities				**15.4x**	**14.6x**	**13.8x**	**4.0%**	**4.9%**	**61%**	**1.6x**	**45%**
NiSource - utility only	*NI*	*19.00*	*6,030*	*18.4*	*17.6*	*16.6*	*3.3%*	*5.0%*	*60%*	*2.0x*	*38%*

Note: NI ratios assume value of $19/share
Source: Wolfe Research, NI

Columbia Pipeline: double digit growth goes a decade; $35 valuation

Columbia Pipeline Group is in the early stages of a distribution growth trajectory that could last a decade. We see two stages to this growth: (1) the best-in-class organic infrastructure investment that will triple EBITDA over the next 4-5 years, and (2) huge financial flexibility (low distribution coverage, the underlevered balance sheet and cash from MLP drops) to support distribution growth via more growth investment and/or share buybacks. Based on a deeper look into the cash flow growth potential of CPGX we see more value than before; we now believe CPGX is worth $35 vs. $31 previously.

Not just any parent/MLP relationship

There are three components to Columbia Pipeline: Columbia Pipeline Group (CPGX), Columbia Operating Company (OpCo), and the Columbia Pipeline Partners MLP (CPPL). Current owners of NI will receive one share of CPGX for each NI share. CPGX is the general partner of the MLP and is responsible for financing the growth of Columbia. OpCo operates the assets, and its ownership is split between CPGX (which currently owns 84.3%) and CPPL (which owns 15.7%). In addition to the stake in the OpCo and general partner of CPPL, CPGX also owns about 44M of restricted LP units in CPPL (about a 47% share currently).

OpCo structure bolsters valuation of dropdowns in near term. Unlike many other MLPs, CPPL will purchase equity stakes in the OpCo rather than specific assets. This has a couple advantages for CPPL. First, there is a diversification benefit – CPPL's cash flows will not be tied to specific assets, diversifying away operational risk. Second, cash flow from CPPL's equity interests grow as the OpCo grows without any incremental investment; dropdowns of specific assets do not have the same sort of organic upside. From the perspective of CPGX, because there is inherent growth in the equity stakes, it will be able to get a better valuation relative to a discrete asset with fixed cash flows. CPGX will also be able to defer some tax leakage up front – the current assets have very low tax basis and as new assets are put into service the leakage is averaged away somewhat.

Growth stage 1: Tremendous investment backlog through 2018

Simply put, Columbia OpCo has one of the best growth investment backlogs in the midstream space. There is nearly $9B of growth capex over the next four years, which will triple the investment base of the company. Longer term, Columbia has $4-$5B of pipeline modernization projects that earn regulated-like returns. Altogether, this should drive EBITDA growth at the OpCo of 20% annually through 2020, and still have room for modest growth in the years beyond, even with no new high-profile projects. CPGX will be funding much of this growth via dropdowns of the OpCo to CPPL, but even with the sell-downs we still see distributable cash at CPGX nearly doubling by 2019/2020.

Minimal commodity sensitivity bolsters quality of assets and EBITDA

Columbia is fairly unique among the larger gas midstream companies as nearly all of its revenues are not sensitive to commodities. About 95% of revenues come from fee-based pipeline transport contracts, with the remaining revenues coming from storage, which is sensitive to gas prices. Moreover, we believe CPG has lower than average recontracting risk. Much of its growth comes from new projects that are entering service in the coming years – recontracting for these assets would be a long way away.

Growth stage 2: Using cash position for growth

By 2019, when the major growth projects are complete and in operation, we believe CPGX will be in a position to grow distributions by at least 15% (or higher) through at least 2025. This is due to three key sources of financial flexibility:

- **High distribution coverage.** We forecast that CPGX's distribution coverage ratio will end up around 2.4x in 2019. Put simply, this means that CPGX would have room to boost its distribution by 140% before it comes close to coverage ratios of its GP/C-Corp peers.
- **Proceeds from future dropdowns.** By 2019 we believe CPGX will have dropped only about 50% of OpCo into CPPL. Because much of the growth capex is complete, CPGX will be able to redeploy the cash from dropdowns into share buybacks or better yet future midstream investment. Moreover, as CPPL will be well into the high splits by 2019, CPGX will effectively be able to retain 50% of the cash flow of the drops via the incentive distribution rights it holds in CPPL.
- **Balance sheet flexibility at OpCo.** While the leverage of the OpCo is about 4.5x EBITDA at the outset, CPG's plans for a relatively limited amount of debt issuance to fund the growth capex means that the debt to EBITDA coverage will fall to about 3x by 2019. Columbia is targeting 4-4.5x over the long term, which suggests there is significant capacity to add leverage in the future. Uses of this leverage could be either for more growth projects/acquisitions or for dividends to CPGX and CPPL.

Estimates: we see 15%+ distribution growth at CPGX

We believe that CPGX can sustain distribution growth of at least 15% for a decade. The first phase of 15% distribution growth is supported by the massive stream of growth investment which drives 20% annual EBITDA growth through 2020. This is the extent of CPGX's official guidance. The second phase, which we believe can support 20% distribution growth, will come from use of the high distribution coverage once the growth capex rolls off, cash proceeds and IDRs from dropdowns post-2019, and additional leverage. We use cash from drops and excess distributable cash to buy back shares of CPGX; we believe there would be upside if CPGX finds more investment projects. Over time we see CPGX transitioning into a nearly pure GP vehicle; once the growth phase concludes CPGX will drop down the rest of its interest in the OpCo to the MLP and subsist almost entirely on its IDRs.

Key assumptions to our estimates:

- **No major projects placed in service beyond modernization spending after 2018.** We assume that Columbia finds no major incremental growth projects beyond the current plan. The only exception is that we assume roughly $300M of modernization capex continues through the forecast period. Beyond 2019 our estimates only assume 2% EBITDA growth on average.
- **CPG's financing guidance.** Columbia has given a lot of detail on the financing plan through 2020, and we use it as much as possible. Key assumptions are: $550M in debt raised in 2015 followed by $1.7B in 2016-2018; $4B of equity raised at CPPL in 2016-2018, resulting in a 35%-45% public ownership of the OpCo at CPPL; average maintenance capex of $135M; cash tax rate starting at 0% and rising to 25%; and a long-term distribution coverage approaching 1x. We also assume tax leakage on the dropdowns of 20-25% in out years.
- **Dropdowns to CPPL at win-win terms.** Clearly, CPGX will need to drop assets into CPPL in a way that benefits both parties, so valuation is important, particularly in the high splits where CPPL's cost of capital is higher. We assume that early dropdowns are valued much more highly than future dropdowns given the accretion potential of the equity stakes over time. We assume initial drops at 18x EBITDA, declining to about 10x by 2019/2020 when most of the organic growth trails off. The dropdowns appear to support an average rate of distribution growth at CPPL of about 16% through 2025. From the CPGX perspective, we estimate net proceeds on dropdowns of about $4.4B in 2019 and beyond; we use this cash to buy back shares of CPGX.

Exhibit 2: CPGX estimated distributions

CPGX Distributions Model ($MM, Except per Share Data)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
CPGX Ownership of CPG OpCo - avg.	84%	79%	68%	56%	45%	35%	25%	15%	5%	0%	0%
OpCo debt-to-EBITDA avg.	4.4x	4.7x	4.6x	3.8x	2.9x	3.1x	3.4x	3.7x	4.0x	4.2x	4.3x
EBITDA from stake in CPG OpCo	573	581	582	684	772	618	452	278	98	3	-
Interest	(102)	(102)	(105)	(106)	(94)	(86)	(70)	(47)	(18)	(1)	-
Maintenance capex	(101)	(99)	(89)	(76)	(63)	(53)	(39)	(24)	(8)	(0)	-
Cash taxes	-	(9)	(14)	(18)	(47)	(37)	(26)	(16)	(5)	(0)	(0)
Distributable cash from CPG OpCo stake	370	371	375	483	568	442	316	191	66	2	(0)
Distributions from CPPL											
LP distributions from CPPL - pretax	31	38	45	55	66	79	91	105	117	129	137
Less taxes at 25%	(8)	(9)	(11)	(14)	(16)	(20)	(23)	(26)	(29)	(32)	(34)
LP distributions after tax	24	28	34	41	49	59	68	78	88	96	103
GP IDRs from CPPL - pretax	-	1	12	58	126	216	297	395	488	534	561
Less taxes at 35%	-	(0)	(4)	(20)	(44)	(76)	(104)	(138)	(171)	(187)	(196)
GP IDRs after tax	-	1	8	38	82	140	193	257	317	347	364
Total distributable cash	394	399	416	562	699	642	578	527	472	446	467
Dividends per share	0.50	0.58	0.66	0.76	0.87	1.01	1.21	1.45	1.74	2.09	2.50
Shares	317	317	317	317	301	268	235	206	183	173	173
Coverage	2.48x	2.19x	1.99x	2.33x	2.65x	2.38x	2.04x	1.77x	1.48x	1.23x	1.08x
Cash position and buybacks - CPGX											
Starting cash	-	24	52	94	173	4	26	20	23	1	86
Cash incoming from OpCo and CPPL	182	211	251	320	395	842	878	727	472	446	467
Cash distributions	(159)	(182)	(210)	(241)	(264)	(270)	(284)	(298)	(318)	(361)	(433)
Cash raised from CPPL drops	-	957	1,225	1,584	962	939	850	831	819	24	-
Equity invested into CPG OpCo	-	(957)	(1,225)	(1,584)		-	-	-	-	-	-
Share buybacks					(1,262)	(1,489)	(1,450)	(1,256)	(994)	(24)	-
Ending cash	24	52	94	173	4	26	20	23	1	86	120

Source: Wolfe Research, NI

Comps: C-corps and GPs

CPGX's closest comparables in our view are the larger natural gas C-corps and general partners. While CPGX may be smaller than the likes of Spectra or Kinder, it does have a stronger growth profile and a higher quality stream of revenues, at 95%+ fee-based pipeline revenues. Over the long term, we see CPGX transitioning into a pure general partner as it drops the OpCo into CPPL.

Yield: low to start but a lot of dry powder

One thing that sticks out on the table of comparables is that CPGX at the outset, with its $0.50/sh dividend, would have one of the lowest yields in the group. We believe that is acceptable for a few reasons. First, CPGX has a coverage ratio far higher than the peer group, and it will be diverting excess cash into the OpCo to fund growth. Second, there is a tremendous runway for above-average distribution growth in both the near term (15% is better than average), and the long term. Finally, the growth profile more resembles the high-quality MLPs where yields are typically at or below 2%. In fact, we believe CPGX enjoys the benefits of best-in-class MLP growth plus the financial flexibility of a GP. As noted above, we believe that CPGX can use future dropdowns and balance sheet flexibility to continue growth at an even higher rate in out years.

Exhibit 3: C-Corp/GP comparables

	Market Cap	% Revenue Fee-based	Stated Dist. Growth	Current Yield	2016 Coverage	Price/ 2016 DCF	EV/ 16 EBITDA
ENLC	5,153	80%	10%-15%	3.1%	1.10x	23.7x	14.3x
ETE	37,223	86%	8%	2.8%	1.13x	22.2x	13.7x
KMI	84,385	85%	10%	4.9%	1.10x	16.0x	16.4x
OKE	8,106	75%	4%-8%	6.2%	1.11x	13.6x	13.8x
PAGP	16,178	77%	7%	3.3%	1.00x	25.0x	9.3x
SE	22,114	99%	9%	4.5%	1.02x	19.8x	13.2x
TRGP	5,001	67%	25%*	3.7%	1.03x	19.7x	12.9x
WGP	13,006	95%	30%*	2.3%	1.00x	31.9x	20.0x
WMB	65,594	88%	10%-15%	5.0%	1.12x	14.8x	13.9x
Average				**4.0%**	**1.07x**	**20.7x**	**14.2x**
CPGX (PF)	*10,778*	*95%*	*15%*	*1.5%*	*2.19x*	*23.7x*	*18.2x*

Note: CPGX pro forma for $35 valuation; WMB market cap and yield includes WPZ. *One year growth rate
Source: Wolfe Research, Bloomberg consensus

Valuation: Adopting the yieldco approach

We value CPGX at $35 per share based on a combination of a dividend discount model and long-term yield target. For the dividend discount model, we take a net present value of our forecasted dividends through 2025 and calculate a terminal value on a long-term dividend at a 1x coverage ratio. We use a 6% discount rate but we assume zero dividend growth after 2025 for conservatism. This comes out to a value of $34. Our second approach is to target a long-term yield of 4.5%, in line with the GP yields we use in our valuation of the yieldcos. We use a 4.5% yield on our long-term dividend, and then discount back to 2017, the same target valuation year we use with the yieldcos. This values CPGX at $36. We then average the two to come to our target valuation of $35.

Exhibit 4: CPGX valuation

Divident discount model valuation:												
Discount rate	6%	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Dividend		0.50	0.58	0.66	0.76	0.87	1.01	1.21	1.45	1.74	2.09	2.50
Discounted dividend		0.50	0.58	0.62	0.68	0.73	0.80	0.90	1.02	1.16	1.31	1.48
Sum of discounted dividends		**9.77**										
Terminal value calculation:												
Terminal dividend - 2025 at 1x coverage		2.70										
Terminal value assuming no growth in 2026		45.02										
Terminal value discounted back to YE 2015		**23.72**										
Dividend discount model valuation		**33**	Sum of discounted dividends plus terminal value									
Target Yield Valuation												
Terminal dividend - 2025 at 1x coverage		2.70										
Target yield		4.5%										
Equity value - undiscounted		60.03										
Terminal value discounted to 2017		36										
AVERAGE		35										

Source: Wolfe Research

Key risks: execution and capital markets

In our view the biggest risks to the CPG story are execution and capital markets. Columbia has a lot of projects set to go into service in the next 4 years. It will need timely approvals from FERC and the states and enough labor resources even as other midstream companies are actively building projects too. Because of the nature of a lot of CPG's projects – which involve a lot of retrofits of existing rights of way as opposed to greenfield lines with significant siting requirements – we do not expect a lot of issues on regulatory approvals. Construction will be also something to monitor. We note however that the relatively large cushions on distribution coverage means that delays would ultimately have only a minor impact on CPGX's valuation. Finally, CPG's plan requires a lot of issuances at CPPL - $4B over 2016-2018 and more for drop downs even further in the future. Capital markets will need to remain healthy; if CPPL's valuation deteriorates (which we do not expect given its growth potential and asset quality) then the higher capital costs would trickle down into CPGX's outlook.

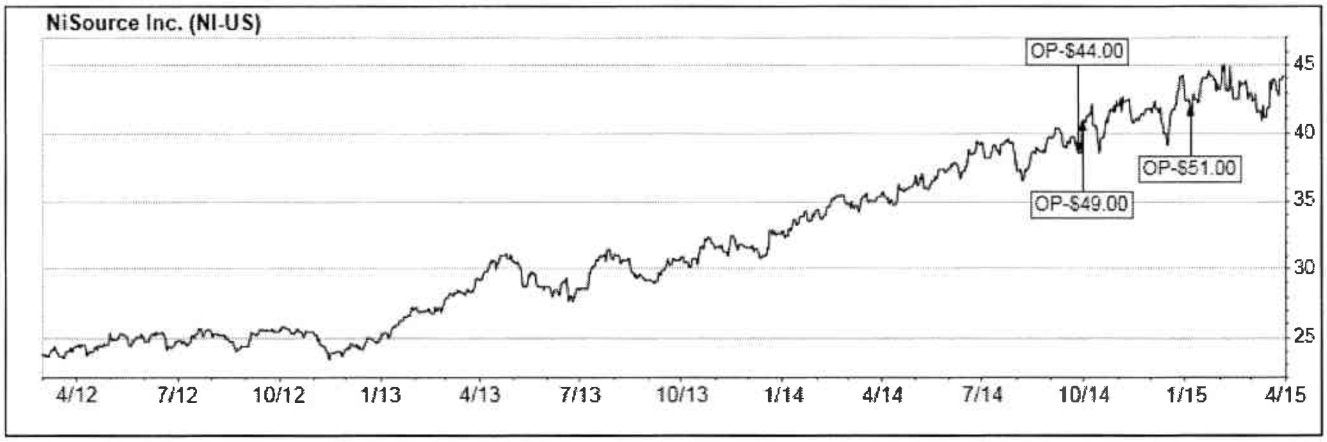
DISCLOSURE SECTION

Analyst Certification:

The analyst of Wolfe Research, LLC primarily responsible for this research report whose name appears first on the front page of this research report hereby certifies that (i) the recommendations and opinions expressed in this research report accurately reflect the research analysts' personal views about the subject securities or issuers and (ii) no part of the research analysts' compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this report.

Important Disclosures:

Price Chart with Ratings and Target Price History



Note: OP = Outperform; PP = Peer Perform; UP = Underperform

Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NI US Equity	Sum of parts: P/E on utility, DCF on midstream

Wolfe Research, LLC Fundamental Target Price Risks:

Company:	Fundamental Target Price Risks:
NI US Equity	Economy, regulatory outcomes, project execution

Wolfe Research, LLC Research Disclosures:

Company:	Research Disclosures:
NI US Equity	None

Other Disclosures:

Wolfe Research, LLC Fundamental Stock Ratings Key:

Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.
Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
Underperform (UP):	The security is projected to underperform analyst's industry coverage universe over the next 12 months.

Wolfe Research, LLC uses a relative rating system using terms such as Outperform, Peer Perform and Underperform (see definitions above). Please carefully read the definitions of all ratings used in Wolfe Research, LLC research. In addition, since Wolfe Research, LLC research contains more complete information concerning the analyst's views, please carefully read Wolfe Research, LLC research in its entirety and not infer the contents from the ratings alone. In all cases, ratings (or research) should not be used or relied upon as investment advice and any investment decisions should be based upon individual circumstances and other considerations.

Wolfe Research, LLC Sector Weighting System:

Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

Wolfe Research, LLC Distribution of Fundamental Stock Ratings (As of March 31, 2015):

Outperform:	42%	1% Investment Banking Clients
Peer Perform:	49%	1% Investment Banking Clients
Underperform:	9%	0% Investment Banking Clients

Wolfe Research, LLC does not assign ratings of Buy, Hold or Sell to the stocks it covers. Outperform, Peer Perform and Underperform are not the respective equivalents of Buy, Hold and Sell but represent relative weightings as defined above. To satisfy regulatory requirements, Outperform has been designated to correspond with Buy, Peer Perform has been designated to correspond with Hold and Underperform has been designated to correspond with Sell.

Wolfe Research Securities and Wolfe Research, LLC have adopted the use of Wolfe Research as brand names. Wolfe Research Securities, a member of FINRA (www.finra.org) is the broker-dealer affiliate of Wolfe Research, LLC and is responsible for the contents of this material. Any analysts publishing these reports are dually employed by Wolfe Research, LLC and Wolfe Research Securities.

The content of this report is to be used solely for informational purposes and should not be regarded as an offer, or a solicitation of an offer, to buy or sell a security, financial instrument or service discussed herein. Opinions in this communication constitute the current judgment of the author as of the date and time of this report and are subject to change without notice. Information herein is believed to be reliable but Wolfe Research and its affiliates, including but not limited to Wolfe Research Securities, makes no representation that it is complete or accurate. The information provided in this communication is not designed to replace a recipient's own decision-making processes for assessing a proposed transaction or investment involving a financial instrument discussed herein. Recipients are encouraged to seek financial advice from their financial advisor regarding the appropriateness of investing in a security or financial instrument referred to in this report and should understand that statements regarding the future performance of the financial instruments or the securities referenced herein may not be realized. Past performance is not indicative of future results. This report is not intended for distribution to, or use by, any person or entity in any location where such distribution or use would be contrary to applicable law, or which would subject Wolfe Research, LLC or any affiliate to any registration requirement within such location. For additional important disclosures, please see www.WolfeResearch.com/Disclosures.

The views expressed in Wolfe Research, LLC research reports with regards to sectors and/or specific companies may from time to time be inconsistent with the views implied by inclusion of those sectors and companies in other Wolfe Research, LLC analysts' research reports and modeling screens. Wolfe Research communicates with clients across a variety of mediums of the clients' choosing including emails, voice blasts and electronic publication to our proprietary website.

WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Underweight
Integrateds – Market Weight
IPPs – Market Overweight

June 14, 2015

NISOURCE INC.

(NI US Equity – $ 45.96 – Outperform)

Premier pipeline and LDC – take your pick

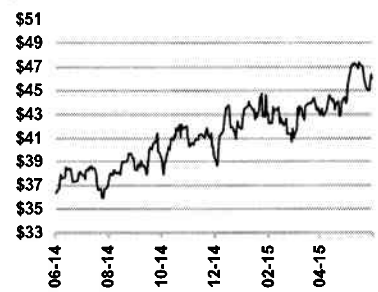
- **Buy into the split; price target to $54**
  NI has been a top performer this year, but we continue to see it as an opportunity going into the July 1 split. As the segments will start trading when-issued on June 17, we have updated our estimates and valuations of the two business lines. We are more positive on the company, particularly Columbia Pipeline Group (GPGX), which has higher EBITDA growth potential and value accretion from the MLP than we had previously estimated. In this report we take an in-depth look into the valuation of each piece of NI, including detailed financial forecasts. We are boosting our price target on NiSource to $54 from $50 largely on the pipeline upside and are reiterating our Outperform rating.

- **CPGX: GP with a lot of growth runway beyond 2020: $35 value**
  CPGX has two major advantages going for it. First, it has an unmatched inventory of growth projects – nearly $9B of locked in projects that will go into service by the end of 2018. This brings with it 20% EBITDA growth over the next 5 years. Second, CPGX has a significant amount of room to continue distribution growth well beyond 2020 given its ample coverage, underlevered balance sheet, and significant backlog of assets to be dropped into the MLP. We believe CPGX will able to grow dividends by at least 15% on average for the next decade. We now see fair value of CPGX at $35 from $31 previously.

- **Utility: solid growth, high quality assets: $19 value**
  NiSource's utility operations are a high quality mix of electric and gas LDCs. There is a decades-long, $30B investment backlog for the utilities and we believe the company should be able to grow toward the high end of the 4%-6% growth rate. We also expect solid valuation support given its gas LDC-heavy business profile. We continue to have a $19 valuation on the utility.

Trading and Fundamental Data	
Target Price	**$ 54**
Current Price	$ 45.96
52 Week Range	$ 36 - $ 48
Market Cap. ($MM)	$ 14,587
Share Out. (MM)	317.4
Dividend Yield	2.32%
Dividend Payout Ratio	61.2%
ROE	8.3%
Debt to Cap	61.8%
Avg Daily Vol (ooo)	1,682

Price Performance	YTD	LTM
NI US Equity	8%	24%
Utility Index	-11%	0%
S&P 500	2%	8%



Source: Bloomberg/Wolfe Research

Key Changes		
Year	**New**	**Old**
Target Price	$54	$50

Estimates / Valuation				
(US$)	**2015E**	**2016E**	**2017E**	**2018E**
EPS	$1.85	$1.98	$2.22	$2.47
Consensus	$1.81	$1.89	$2.00	$2.41
P/E	24.9x	23.2x	20.7x	18.6x
Dividend Per Share	$1.07	$1.16	$1.27	$1.38
Dividend Yield	2.3%	2.5%	2.8%	3.0%

Steven Fleishman
(646) 582-9241
SFleishman@WolfeResearch.com

Alex Kania
(646) 582-9244
AKania@WolfeResearch.com

Investment Conclusion

NiSource remains one of our favored gas infrastructure names. The detailed financial outlooks given by NI for the utility and pipeline operations last month has bolstered our view of the upside potential of the stock in front of the corporate split on July 1. Columbia Pipeline Group (CPGX) and the utility-only NiSource will commence trading on a when-issued basis on June 17. The utility outlook remains largely in line with our expectations and it should be attractive to utility investors looking for low risk and above average growth potential. The pipeline operations are more intriguing, with a higher EBITDA growth over the next 5 years than we had previously expected. After doing more work on the cash flow profile and dropdown strategy with the MLP, we now see more value upside for CPGX – around $35 vs. $31 previously. We continue to see a $19 value for the utility operations. Based on the higher value for CPGX we are boosting our target price for NiSource (pre-split) to $54 from $50 and we reiterate our Outperform rating.

The breakup begins June 17

NiSource is close to wrapping up the split of the utility and pipeline operations it announced last fall. While the split officially occurs on July 1 with the two stocks starting to trade regular way on July 2, when-issued trading will start on June 17. This will be the first opportunity to see how the market is valuing the individual segments. We believe that fair value for CPGX should be $35 and NiSource "classic" should be $19 per share.

NiSource "Classic": Good operations, balanced regulation, lots of investment

About two-thirds of NI's utility earnings come from its gas LDCs. It has gas operations in seven states – Indiana, Ohio, Pennsylvania, Kentucky, Maryland, and Massachusetts, and Virginia. In virtually all of these states, NI's primary investment category – infrastructure modernization – is fully tracked with minimal lag. The sole electric operation is Northern Indiana Public Service, a vertically integrated utility. Regulation is solid, with the state and the utility working on an infrastructure rider for distribution reliability investment on the electric side. Rate cases in IN are also spaced 7 years apart, reducing regulatory risk further.

CPGX: Central location with access to the Marcellus and Utica

Columbia Pipeline Group is ideally positioned to link the Marcellus and Utica shales with the growing demand in the Gulf as well as the Mid-Atlantic. CPG has a multitude of growth projects, totaling $9B of investment, that are fully committed and set to go into service in the next three years. Key projects for the Gulf demand include Rayne-Leach Xpress, Mountaineer Xpress, and Cameron Access, which will bolster takeaway capacity down south as well as improve infrastructure in Louisiana for the LNG export boom. To the east, WB Xpress and the East Side expansion will improve access of LDCs in NJ, MD, and VA to Marcellus capacity. On a smaller scale, Columbia is also working on midstream pipelines to assist gathering and processing in the Marcellus and Utica.

Wild card: strategic buyers in the wings?

Columbia's footprint and investment backlog would be highly attractive to the larger midstream players that are hungry for growth opportunities. We would not be surprised if multiple companies would be actively interested once the spin is completed. The utility operations could also prove attractive for strategics interested in adding the long-duration investment plans.

Utility: Conservative outlook, low risk; $19 target valuation

The utility operations are a high quality blend of electric and natural gas distribution utilities, with a 20+ year backlog of investments in balanced regulatory jurisdictions. The majority of the spending is under trackers, allowing realtime recovery of spending. The company has set earnings growth at 4%-6% long term, and given the size and duration of the annual spend we believe the company should be able to grow closer to the upper end of that range. Additionally, right out of the gate NiSource would be one of the largest gas LDCs in the sector.

Earnings outlook: good growth, need to watch the balance sheet

We expect EPS at the utilities to grow at over 5% annually through 2019. Our utility EPS estimates for 2016-2019 are $1.08/$1.14/$1.21/$1.28 – a 5.4% EPS CAGR. The solid backlog of investments supports annual capex of about $1.5B annually. With a $30B backlog of visible modernization projects on the gas and electric side, we believe the utility will be able to grow at an above- average rate well beyond our forecast period. Apart from ensuring the regulatory environments remain balanced, the other key risk for NI's management team will be the balance sheet. Following the split NI's leverage will be somewhat higher than other LDCs in the space. This should improve over time via growth and the DRIP; it will be something to keep tabs on.

Valuation: LDCs get a premium

NiSource post split will be two-thirds natural gas LDC, one-third electric utility. Currently LDCs trade at a two turn premium to the electric utilities, mainly on the perceived lower risk profile of gas distribution vs. electric operations, and long runway of growth investment. Gas utilities also tend to have more capital spending under trackers, and there is broad adoption of decoupling mechanisms. Based on consensus estimates, the higher quality LDCs trade at about 15x-17x 2017 earnings. We expect NI to trade in this range following the split. Our $19 target price is based on a 16.5x multiple on our 2017 utility-only EPS estimate of $1.14.

Exhibit 1: LDC comparables

Company		Current	Mkt Cap	P/E Multiple			Div	Div	Payout	Price/	Equity
Name	Ticker	Price	($M)	2015E	2016E	2017E	Yield	Growth (E)	Ratio	Book	Ratio
AGL Resources Inc	GAS	$47.97	$5,753	16.1x	15.8x	15.0x	4.3%	6.5%	68%	1.5x	43%
Atmos Energy Corp	ATO	51.47	5,199	17.0	16.0	15.1	3.0%	6.2%	51%	1.7	54%
Southwest Gas Corp	SWX	52.98	2,482	17.0	15.9	15.1	3.1%	4.5%	52%	1.6	48%
WGL Holdings Inc	WGL	55.22	2,746	19.4	18.8	17.1	3.4%	6.3%	65%	2.1	53%
One Gas	OGS	42.39	2,229	19.4	18.1	17.0	2.8%	5.0%	55%	1.2	59%
Piedmont Natural Gas Co Inc	PNY	36.32	2,869	19.5	18.1	17.5	3.6%	6.3%	71%	2.0	42%
Questar Corp	STR	21.23	3,730	16.6	15.8	15.5	4.0%	4.5%	66%	2.9	43%
New Jersey Resources Corp	NJR	27.68	2,369	16.2	16.7	16.3	3.3%	-1.1%	53%	2.1	51%
Northwest Natural Gas Co	NWN	42.77	1,169	19.6	18.9	17.3	4.3%	4.0%	85%	1.5	46%
UGI Corp	UGI	35.32	6,093	18.1	16.3	15.8	2.6%	8.0%	47%	2.2	50%
Laclede Group Inc/The	LG	51.68	2,239	16.2	15.3	15.0	3.6%	4.7%	58%	1.4	41%
Vectren Corp	VVC	39.89	3,296	16.1	15.1	14.2	3.8%	5.5%	61%	2.0	48%
Average				**17.6x**	**16.7x**	**15.9x**	**3.5%**	**5.0%**	**61%**	**1.8x**	**48%**
Average - electric utilities				**15.4x**	**14.6x**	**13.8x**	**4.0%**	**4.9%**	**61%**	**1.6x**	**45%**
NiSource - utility only	*NI*	*19.00*	*6,030*	*18.4*	*17.6*	*16.6*	*3.3%*	*5.0%*	*60%*	*2.0x*	*38%*

Note: NI ratios assume value of $19/share
Source: Wolfe Research, NI

Columbia Pipeline: double digit growth goes a decade; $35 valuation

Columbia Pipeline Group is in the early stages of a distribution growth trajectory that could last a decade. We see two stages to this growth: (1) the best-in-class organic infrastructure investment that will triple EBITDA over the next 4-5 years, and (2) huge financial flexibility (low distribution coverage, the underlevered balance sheet and cash from MLP drops) to support distribution growth via more growth investment and/or share buybacks. Based on a deeper look into the cash flow growth potential of CPGX we see more value than before; we now believe CPGX is worth $35 vs. $31 previously.

Not just any parent/MLP relationship

There are three components to Columbia Pipeline: Columbia Pipeline Group (CPGX), Columbia Operating Company (OpCo), and the Columbia Pipeline Partners MLP (CPPL). Current owners of NI will receive one share of CPGX for each NI share. CPGX is the general partner of the MLP and is responsible for financing the growth of Columbia. OpCo operates the assets, and its ownership is split between CPGX (which currently owns 84.3%) and CPPL (which owns 15.7%). In addition to the stake in the OpCo and general partner of CPPL, CPGX also owns about 44M of restricted LP units in CPPL (about a 47% share currently).

OpCo structure bolsters valuation of dropdowns in near term. Unlike many other MLPs, CPPL will purchase equity stakes in the OpCo rather than specific assets. This has a couple advantages for CPPL. First, there is a diversification benefit – CPPL's cash flows will not be tied to specific assets, diversifying away operational risk. Second, cash flow from CPPL's equity interests grow as the OpCo grows without any incremental investment; dropdowns of specific assets do not have the same sort of organic upside. From the perspective of CPGX, because there is inherent growth in the equity stakes, it will be able to get a better valuation relative to a discrete asset with fixed cash flows. CPGX will also be able to defer some tax leakage up front – the current assets have very low tax basis and as new assets are put into service the leakage is averaged away somewhat.

Growth stage 1: Tremendous investment backlog through 2018

Simply put, Columbia OpCo has one of the best growth investment backlogs in the midstream space. There is nearly $9B of growth capex over the next four years, which will triple the investment base of the company. Longer term, Columbia has $4-$5B of pipeline modernization projects that earn regulated-like returns. Altogether, this should drive EBITDA growth at the OpCo of 20% annually through 2020, and still have room for modest growth in the years beyond, even with no new high-profile projects. CPGX will be funding much of this growth via dropdowns of the OpCo to CPPL, but even with the sell-downs we still see distributable cash at CPGX nearly doubling by 2019/2020.

Minimal commodity sensitivity bolsters quality of assets and EBITDA

Columbia is fairly unique among the larger gas midstream companies as nearly all of its revenues are not sensitive to commodities. About 95% of revenues come from fee-based pipeline transport contracts, with the remaining revenues coming from storage, which is sensitive to gas prices. Moreover, we believe CPG has lower than average recontracting risk. Much of its growth comes from new projects that are entering service in the coming years – recontracting for these assets would be a long way away.

Growth stage 2: Using cash position for growth

By 2019, when the major growth projects are complete and in operation, we believe CPGX will be in a position to grow distributions by at least 15% (or higher) through at least 2025. This is due to three key sources of financial flexibility:

- **High distribution coverage**. We forecast that CPGX's distribution coverage ratio will end up around 2.4x in 2019. Put simply, this means that CPGX would have room to boost its distribution by 140% before it comes close to coverage ratios of its GP/C-Corp peers.
- **Proceeds from future dropdowns**. By 2019 we believe CPGX will have dropped only about 50% of OpCo into CPPL. Because much of the growth capex is complete, CPGX will be able to redeploy the cash from dropdowns into share buybacks or better yet future midstream investment. Moreover, as CPPL will be well into the high splits by 2019, CPGX will effectively be able to retain 50% of the cash flow of the drops via the incentive distribution rights it holds in CPPL.
- **Balance sheet flexibility at OpCo**. While the leverage of the OpCo is about 4.5x EBITDA at the outset, CPG's plans for a relatively limited amount of debt issuance to fund the growth capex means that the debt to EBITDA coverage will fall to about 3x by 2019. Columbia is targeting 4-4.5x over the long term, which suggests there is significant capacity to add leverage in the future. Uses of this leverage could be either for more growth projects/acquisitions or for dividends to CPGX and CPPL.

Estimates: we see 15%+ distribution growth at CPGX

We believe that CPGX can sustain distribution growth of at least 15% for a decade. The first phase of 15% distribution growth is supported by the massive stream of growth investment which drives 20% annual EBITDA growth through 2020. This is the extent of CPGX's official guidance. The second phase, which we believe can support 20% distribution growth, will come from use of the high distribution coverage once the growth capex rolls off, cash proceeds and IDRs from dropdowns post-2019, and additional leverage. We use cash from drops and excess distributable cash to buy back shares of CPGX; we believe there would be upside if CPGX finds more investment projects. Over time we see CPGX transitioning into a nearly pure GP vehicle; once the growth phase concludes CPGX will drop down the rest of its interest in the OpCo to the MLP and subsist almost entirely on its IDRs.

Key assumptions to our estimates:

- **No major projects placed in service beyond modernization spending after 2018.** We assume that Columbia finds no major incremental growth projects beyond the current plan. The only exception is that we assume roughly $300M of modernization capex continues through the forecast period. Beyond 2019 our estimates only assume 2% EBITDA growth on average.

- **CPG's financing guidance.** Columbia has given a lot of detail on the financing plan through 2020, and we use it as much as possible. Key assumptions are: $550M in debt raised in 2015 followed by $1.7B in 2016-2018; $4B of equity raised at CPPL in 2016-2018, resulting in a 35%-45% public ownership of the OpCo at CPPL; average maintenance capex of $135M; cash tax rate starting at 0% and rising to 25%; and a long-term distribution coverage approaching 1x. We also assume tax leakage on the dropdowns of 20-25% in out years.

- **Dropdowns to CPPL at win-win terms.** Clearly, CPGX will need to drop assets into CPPL in a way that benefits both parties, so valuation is important, particularly in the high splits where CPPL's cost of capital is higher. We assume that early dropdowns are valued much more highly than future dropdowns given the accretion potential of the equity stakes over time. We assume initial drops at 18x EBITDA, declining to about 10x by 2019/2020 when most of the organic growth trails off. The dropdowns appear to support an average rate of distribution growth at CPPL of about 16% through 2025. From the CPGX perspective, we estimate net proceeds on dropdowns of about $4.4B in 2019 and beyond; we use this cash to buy back shares of CPGX.

Exhibit 2: CPGX estimated distributions

CPGX Distributions Model ($MM, Except per Share Data)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
CPGX Ownership of CPG OpCo - avg.	**84%**	**79%**	**68%**	**56%**	**45%**	**35%**	**25%**	**15%**	**5%**	**0%**	**0%**
OpCo debt-to-EBITDA avg.	**4.4x**	**4.7x**	**4.6x**	**3.8x**	**2.9x**	**3.1x**	**3.4x**	**3.7x**	**4.0x**	**4.2x**	**4.3x**
EBITDA from stake in CPG OpCo	573	581	582	684	772	618	452	278	98	3	-
Interest	(102)	(102)	(105)	(106)	(94)	(86)	(70)	(47)	(18)	(1)	-
Maintenance capex	(101)	(99)	(89)	(76)	(63)	(53)	(39)	(24)	(8)	(0)	-
Cash taxes	-	(9)	(14)	(18)	(47)	(37)	(26)	(16)	(5)	(0)	(0)
Distributable cash from CPG OpCo stake	**370**	**371**	**375**	**483**	**568**	**442**	**316**	**191**	**66**	**2**	**(0)**
Distributions from CPPL											
LP distributions from CPPL - pretax	31	38	45	55	66	79	91	105	117	129	137
Less taxes at 25%	(8)	(9)	(11)	(14)	(16)	(20)	(23)	(26)	(29)	(32)	(34)
LP distributions after tax	**24**	**28**	**34**	**41**	**49**	**59**	**68**	**78**	**88**	**96**	**103**
GP IDRs from CPPL - pretax	-	1	12	58	126	216	297	395	488	534	561
Less taxes at 35%	-	(0)	(4)	(20)	(44)	(76)	(104)	(138)	(171)	(187)	(196)
GP IDRs after tax	**-**	**1**	**8**	**38**	**82**	**140**	**193**	**257**	**317**	**347**	**364**
Total distributable cash	**394**	**399**	**416**	**562**	**699**	**642**	**578**	**527**	**472**	**446**	**467**
Dividends per share	**0.50**	**0.58**	**0.66**	**0.76**	**0.87**	**1.01**	**1.21**	**1.45**	**1.74**	**2.09**	**2.50**
Shares	317	317	317	317	301	268	235	206	183	173	173
Coverage	**2.48x**	**2.19x**	**1.99x**	**2.33x**	**2.65x**	**2.38x**	**2.04x**	**1.77x**	**1.48x**	**1.23x**	**1.08x**
Cash position and buybacks - CPGX											
Starting cash	-	24	52	94	173	4	26	20	23	1	86
Cash incoming from OpCo and CPPL	182	211	251	320	395	842	878	727	472	446	467
Cash distributions	(159)	(182)	(210)	(241)	(264)	(270)	(284)	(298)	(318)	(361)	(433)
Cash raised from CPPL drops	-	957	1,225	1,584	962	939	850	831	819	24	-
Equity invested into CPG OpCo	-	(957)	(1,225)	(1,584)		-	-	-	-	-	-
Share buybacks					(1,262)	(1,489)	(1,450)	(1,256)	(994)	(24)	-
Ending cash	**24**	**52**	**94**	**173**	**4**	**26**	**20**	**23**	**1**	**86**	**120**

Source: Wolfe Research, NI

Comps: C-corps and GPs

CPGX's closest comparables in our view are the larger natural gas C-corps and general partners. While CPGX may be smaller than the likes of Spectra or Kinder, it does have a stronger growth profile and a higher quality stream of revenues, at 95%+ fee-based pipeline revenues. Over the long term, we see CPGX transitioning into a pure general partner as it drops the OpCo into CPPL.

Yield: low to start but a lot of dry powder

One thing that sticks out on the table of comparables is that CPGX at the outset, with its $0.50/sh dividend, would have one of the lowest yields in the group. We believe that is acceptable for a few reasons. First, CPGX has a coverage ratio far higher than the peer group, and it will be diverting excess cash into the OpCo to fund growth. Second, there is a tremendous runway for above-average distribution growth in both the near term (15% is better than average), and the long term. Finally, the growth profile more resembles the high-quality MLPs where yields are typically at or below 2%. In fact, we believe CPGX enjoys the benefits of best-in-class MLP growth plus the financial flexibility of a GP. As noted above, we believe that CPGX can use future dropdowns and balance sheet flexibility to continue growth at an even higher rate in out years.

Exhibit 3: C-Corp/GP comparables

	Market Cap	% Revenue Fee-based	Stated Dist. Growth	Current Yield	2016 Coverage	Price/ 2016 DCF	EV/ 16 EBITDA
ENLC	5,153	80%	10%-15%	3.1%	1.10x	23.7x	14.3x
ETE	37,223	86%	8%	2.8%	1.13x	22.2x	13.7x
KMI	84,385	85%	10%	4.9%	1.10x	16.0x	16.4x
OKE	8,106	75%	4%-8%	6.2%	1.11x	13.6x	13.8x
PAGP	16,178	77%	7%	3.3%	1.00x	25.0x	9.3x
SE	22,114	99%	9%	4.5%	1.02x	19.8x	13.2x
TRGP	5,001	67%	25%*	3.7%	1.03x	19.7x	12.9x
WGP	13,006	95%	30%*	2.3%	1.00x	31.9x	20.0x
WMB	65,594	88%	10%-15%	5.0%	1.12x	14.8x	13.9x
Average				**4.0%**	**1.07x**	**20.7x**	**14.2x**
CPGX (PF)	*10,778*	*95%*	*15%*	*1.5%*	*2.19x*	*23.7x*	*18.2x*

Note: CPGX pro forma for $35 valuation; WMB market cap and yield includes WPZ. *One year growth rate
Source: Wolfe Research, Bloomberg consensus

Valuation: Adopting the yieldco approach

We value CPGX at $35 per share based on a combination of a dividend discount model and long-term yield target. For the dividend discount model, we take a net present value of our forecasted dividends through 2025 and calculate a terminal value on a long-term dividend at a 1x coverage ratio. We use a 6% discount rate but we assume zero dividend growth after 2025 for conservatism. This comes out to a value of $34. Our second approach is to target a long-term yield of 4.5%, in line with the GP yields we use in our valuation of the yieldcos. We use a 4.5% yield on our long-term dividend, and then discount back to 2017, the same target valuation year we use with the yieldcos. This values CPGX at $36. We then average the two to come to our target valuation of $35.

Exhibit 4: CPGX valuation

Divident discount model valuation:												
Discount rate	6%	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Dividend		0.50	0.58	0.66	0.76	0.87	1.01	1.21	1.45	1.74	2.09	2.50
Discounted dividend		0.50	0.58	0.62	0.68	0.73	0.80	0.90	1.02	1.16	1.31	1.48
Sum of discounted dividends		9.77										
Terminal value calculation:												
Terminal dividend - 2025 at 1x coverage		2.70										
Terminal value assuming no growth in 2026		45.02										
Terminal value discounted back to YE 2015		23.72										
Dividend discount model valuation		33	Sum of discounted dividends plus terminal value									
Target Yield Valuation												
Terminal dividend - 2025 at 1x coverage		2.70										
Target yield		4.5%										
Equity value - undiscounted		60.03										
Terminal value discounted to 2017		36										
AVERAGE		35										

Source: Wolfe Research

Key risks: execution and capital markets

In our view the biggest risks to the CPG story are execution and capital markets. Columbia has a lot of projects set to go into service in the next 4 years. It will need timely approvals from FERC and the states and enough labor resources even as other midstream companies are actively building projects too. Because of the nature of a lot of CPG's projects – which involve a lot of retrofits of existing rights of way as opposed to greenfield lines with significant siting requirements – we do not expect a lot of issues on regulatory approvals. Construction will be also something to monitor. We note however that the relatively large cushions on distribution coverage means that delays would ultimately have only a minor impact on CPGX's valuation. Finally, CPG's plan requires a lot of issuances at CPPL - $4B over 2016-2018 and more for drop downs even further in the future. Capital markets will need to remain healthy; if CPPL's valuation deteriorates (which we do not expect given its growth potential and asset quality) then the higher capital costs would trickle down into CPGX's outlook.

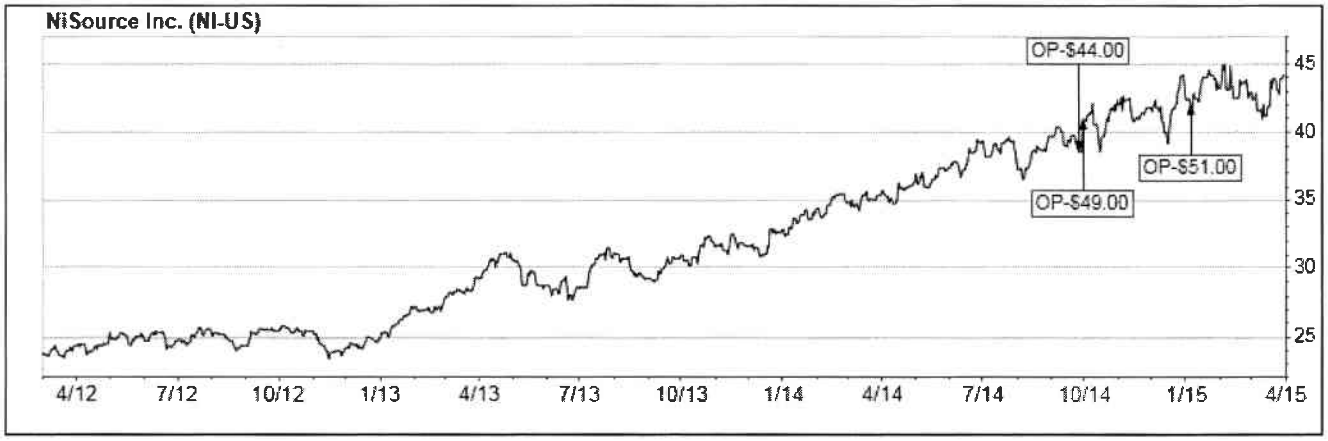
DISCLOSURE SECTION

Analyst Certification:

The analyst of Wolfe Research, LLC primarily responsible for this research report whose name appears first on the front page of this research report hereby certifies that (i) the recommendations and opinions expressed in this research report accurately reflect the research analysts' personal views about the subject securities or issuers and (ii) no part of the research analysts' compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this report.

Important Disclosures:

Price Chart with Ratings and Target Price History



Note: OP = Outperform; PP = Peer Perform; UP = Underperform

Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NI US Equity	Sum of parts: P/E on utility, DCF on midstream

Wolfe Research, LLC Fundamental Target Price Risks:

Company:	Fundamental Target Price Risks:
NI US Equity	Economy, regulatory outcomes, project execution

Wolfe Research, LLC Research Disclosures:

Company:	Research Disclosures:
NI US Equity	None

Other Disclosures:

Wolfe Research, LLC Fundamental Stock Ratings Key:

Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.
Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
Underperform (UP):	The security is projected to underperform analyst's industry coverage universe over the next 12 months.

Wolfe Research, LLC uses a relative rating system using terms such as Outperform, Peer Perform and Underperform (see definitions above). Please carefully read the definitions of all ratings used in Wolfe Research, LLC research. In addition, since Wolfe Research, LLC research contains more complete information concerning the analyst's views, please carefully read Wolfe Research, LLC research in its entirety and not infer the contents from the ratings alone. In all cases, ratings (or research) should not be used or relied upon as investment advice and any investment decisions should be based upon individual circumstances and other considerations.

Wolfe Research, LLC Sector Weighting System:

Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

Wolfe Research, LLC Distribution of Fundamental Stock Ratings (As of March 31, 2015):

Outperform:	42%	1% Investment Banking Clients
Peer Perform:	49%	1% Investment Banking Clients
Underperform:	9%	0% Investment Banking Clients

Wolfe Research, LLC does not assign ratings of Buy, Hold or Sell to the stocks it covers. Outperform, Peer Perform and Underperform are not the respective equivalents of Buy, Hold and Sell but represent relative weightings as defined above. To satisfy regulatory requirements, Outperform has been designated to correspond with Buy, Peer Perform has been designated to correspond with Hold and Underperform has been designated to correspond with Sell.

Wolfe Research Securities and Wolfe Research, LLC have adopted the use of Wolfe Research as brand names. Wolfe Research Securities, a member of FINRA (www.finra.org) is the broker-dealer affiliate of Wolfe Research, LLC and is responsible for the contents of this material. Any analysts publishing these reports are dually employed by Wolfe Research, LLC and Wolfe Research Securities.

The content of this report is to be used solely for informational purposes and should not be regarded as an offer, or a solicitation of an offer, to buy or sell a security, financial instrument or service discussed herein. Opinions in this communication constitute the current judgment of the author as of the date and time of this report and are subject to change without notice. Information herein is believed to be reliable but Wolfe Research and its affiliates, including but not limited to Wolfe Research Securities, makes no representation that it is complete or accurate. The information provided in this communication is not designed to replace a recipient's own decision-making processes for assessing a proposed transaction or investment involving a financial instrument discussed herein. Recipients are encouraged to seek financial advice from their financial advisor regarding the appropriateness of investing in a security or financial instrument referred to in this report and should understand that statements regarding the future performance of the financial instruments or the securities referenced herein may not be realized. Past performance is not indicative of future results. This report is not intended for distribution to, or use by, any person or entity in any location where such distribution or use would be contrary to applicable law, or which would subject Wolfe Research, LLC or any affiliate to any registration requirement within such location. For additional important disclosures, please see www.WolfeResearch.com/Disclosures.

The views expressed in Wolfe Research, LLC research reports with regards to sectors and/or specific companies may from time to time be inconsistent with the views implied by inclusion of those sectors and companies in other Wolfe Research, LLC analysts' research reports and modeling screens. Wolfe Research communicates with clients across a variety of mediums of the clients' choosing including emails, voice blasts and electronic publication to our proprietary website.

This report is limited for the sole use of clients of Wolfe Research. Authorized users have received an encryption decoder which legislates and monitors the access to Wolfe Research, LLC content. Any distribution of the content produced by Wolfe Research, LLC will violate the understanding of the terms of our relationship.

WOLFE RESEARCH

UTILITIES & POWER

Regulateds – Market Underweight
Integrateds – Market Weight
IPPs – Market Overweight

May 12, 2015

NISOURCE INC.

(NI US Equity – $ 44.46 – Outperform)

Dividing up the goods on Thursday

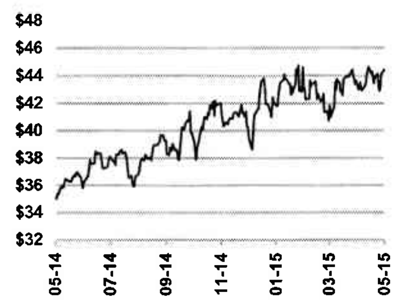
- **Segment details coming Thursday should reinforce value proposition**
  On Thursday NiSource will give guidance and detail the financial outlook for the utility and pipeline operations following the split expected on July 1. NI already announced separate dividends on Tuesday, which were generally in line with expectations. NI has one of the best growth stories in the midstream space, coupled with the MLP's cost of capital advantages. The utilities also have above-average growth potential. We reiterate our Outperform and $50 price target.

- **Utility – we expect 2015 guidance in the $1.00-$1.05 range**
  The main data point coming on the call for NI's utility operations will be the baseline EPS guidance for 2015, as the dividend ($0.62/sh) and long-term EPS/dividend growth rate (4%-6%) have already been disclosed. We believe that guidance will be in the $1.00-$1.05/sh range. The utility has above average growth potential supported by large, long-dated investment backlog and is located in solid regulatory environments.

- **CPGX dividend starts low, but best growth profile among C-corps**
  The earnings and EBITDA outlook for the pipeline segment will be the key announcement on the conference call. CPGX has one of the best growth profiles in the midstream space – the asset base is expected to triple by 2020 through projects almost fully locked in. NI announced an initial $0.50/sh dividend for CPGX on Tuesday. Based on our valuation we believe that this would represent a yield well below other midstream C-corps, but the 15% dividend growth rate, low payout, and even higher EBITDA growth potential supports this yield. We also expect more detail on the pace of EBITDA and distributable cash flow growth on the call.

Trading and Fundamental Data	
Target Price	$ 50
Current Price	$ 44.46
52 Week Range	$ 36 - $ 45
Market Cap. ($MM)	$ 14,111
Share Out. (MM)	317.4
Dividend Yield	2.46%
Dividend Payout Ratio	61.2%
ROE	8.3%
Debt to Cap	61.8%
Avg Daily Vol (ooo)	2,150

Price Performance	YTD	LTM
NI US Equity	5%	24%
Utility Index	-8%	4%
S&P 500	2%	11%



Source: FactSet/Wolfe Research

Estimates / Valuation				
(US$)	2015E	2016E	2017E	2018E
EPS	$1.85	$1.98	$2.22	$2.47
Consensus	$1.81	$1.90	$2.02	$2.36
P/E	23.5x	21.9x	19.6x	17.6x
Dividend Per Share	$1.07	$1.16	$1.27	$1.38
Dividend Yield	2.5%	2.7%	2.9%	3.2%

Steven Fleishman
(646) 582-9241
SFleishman@WolfeResearch.com

Alex Kania
(646) 582-9244
AKania@WolfeResearch.com

WOLFE RESEARCH

NiSource Inc.

May 12, 2015

NiSource Snapshot

Exhibit 1. Financial Summary

Financial Summary	2015E	2016E	2017E	2018E
EPS	$1.85	$1.98	$2.22	$2.47
Diluted Shares Outstanding	318	325	329	330
Dividends Per Share	$1.07	$1.16	$1.27	$1.38
Dividend Yield	2.5%	2.7%	2.9%	3.2%
Dividend Payout Ratio	58%	59%	57%	56%
Equity Ratio	39%	38%	37%	37%
FFO/Net Debt	13%	13%	13%	13%
Valuation Metrics				
P/E	23.5x	21.9x	19.6x	17.6x
Price/Book	2.0x	1.8x	1.7x	1.6x
Segment EPS				
Gas Distribution	$0.89	$0.93	$0.99	$1.05
Transmission & Storage	0.81	0.90	1.09	1.26
Electric	0.46	0.48	0.51	0.54
Parent & Other	(0.32)	(0.34)	(0.37)	(0.38)
Total EPS	**$1.85**	**$1.98**	**$2.22**	**$2.47**

Source: Wolfe Utilities & Power Research

Exhibit 2. Modeling Assumptions

Model Assumptions	2015E	2016E	2017E	2018E
Total Capital Spending by Segment ($M)				
Gas Distribution	$790	$760	$730	$730
Transmission & Storage	1,255	1,542	1,474	699
Electric	593	593	593	593
Parent	50	50	50	50
Total Capex	**$2,688**	**$2,945**	**$2,847**	**$2,072**
Financings ($M)				
Total Equity Issued/(Repurchased)	$300	$275	$45	$45
Total Debt Issued/(Repurchased)	$1,180	$1,448	$1,338	$515

Source: Wolfe Utilities & Power Research

Company description

NiSource, headquartered in Merrillville, Indiana, operates three separate business lines: electric utility, gas distribution, and midstream natural gas. The electric utility serves just under 500,000 customers in northern Indiana and owns 3,300 MW of generation. The gas LDC serves 3.4 million customers in Ohio, Pennsylvania, Kentucky, Virginia, and Massachusetts. Finally, the midstream segment, Columbia Pipeline Group, operates 15,000 miles of interstate gas pipelines and has a large set of storage assets across its footprint.

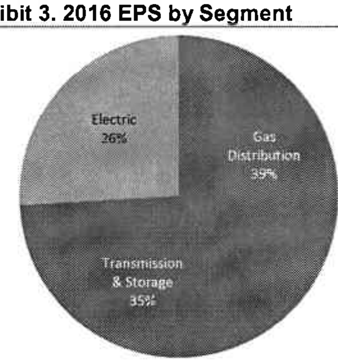
Investment Thesis

We believe that the significant investment opportunities in the midstream space will serve to boost NI's long term growth rate higher over the next five years, up from the current 5%-7%. We see up to $10B of known investment opportunities in the gas infrastructure segment over the next five years with a substantial likelihood of upside, plus the cost of capital benefits from NI's MLP.

Valuation

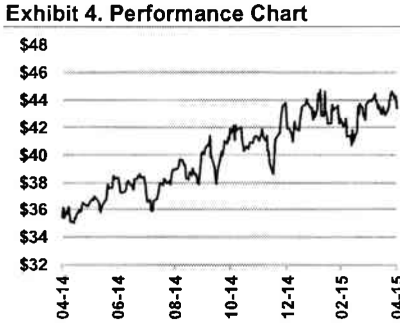
Our $50 price target is from our sum of parts valuation. We apply a 16x multiple to 2017E electric utility earnings and a 17x multiple to 2017E gas distribution earnings, and 17x parent drag. We value midstream on an MLP basis targeting a 5% yield. Downside risks for NiSource are execution on project development, economic conditions and long-term performance of an MLP. Upside risks are additional growth projects in midstream.

Exhibit 3. 2016 EPS by Segment



Source: Wolfe Utilities & Power Research

Exhibit 4. Performance Chart



Source: Bloomberg

Investment Conclusion

NiSource's conference calls on Thursday will be the first detailed look into the separate financial outlooks for the utility and pipeline operations following the July 1 corporate split. We expect the disclosures to highlight the value upside potential of the two segments given the solid management teams, balance sheets and $30B+ investment backlogs. NiSource remains one of our favorite natural gas infrastructure plays. The utility and pipeline segments are both attractive and we believe there could be increased interest from both investors and even strategic players. The MLP also gives the pipeline segment a low cost of capital to help fund the best in class growth. We reiterate our Outperform rating on NiSource and $50 target price. Please see our sum of parts valuation on the following page.

Utility: Key disclosure is 2015 guidance

NiSource has been fairly open about the utility long term picture, and we believe the key disclosure on the call will be the 2015 guidance. We believe that utility guidance will be in the $1.00-$1.05/sh range. Based on the $0.62/sh dividend announced on Tuesday, our expectation for utility earnings would imply a payout ratio in the low to mid-60% range, in line with the utility group average. Moreover, we expect NI to reiterate a long-term utility growth rate of 4%-6%. With a $30B backlog of investments at the gas and electric segments, we believe NI will be able to sustain an above average growth rate well into the next decade.

Pipeline: EPS, EBITDA and cash flow outlook

We believe that there will be more new to say on the Columbia Pipeline Group front as NI has not given many specifics on the outlook apart from the $0.50/sh dividend announcement. We are expecting a longer term financial outlook that could include earnings, EBITDA and some measures of distributable cash flow. The company has hinted at a 15%-20% EBITDA growth potential through the end of the decade, and we see a similar rate for distributable cash flow. We also believe that management will give some insight into appropriate comparable companies in the midstream space. We currently see 2015 EBITDA in the $600-$650M range after excluding the amount attributed to the MLP.

Why we are OK with a relatively low yield at CPGX

On Tuesday NiSource announced an initial dividend of $0.50/sh annualized for CPGX. Based on our sum of parts valuation (which puts CPGX at $31/sh) the initial yield would only be about 1.6% - far below that of comparable midstream C-corporations and general partners. We are still comfortable with this low potential yield for a few reasons. First, CPGX has the best investment backlog in the midstream space. The company has cited a $12-$15B investment inventory, three times the size of the current asset base. Second, the announced 15% dividend growth rate through 2020 is well above the average for the peer group. Finally, the current dividend payout on distributable cash is much lower than average. Comps tend to pay out 1-1.2x of distributable cash; we believe that CPGX's coverage ratio will be closer to 2x. In the near term this means CPGX will have excess cash flow to invest in growth projects. Once growth capex tapers off in out years the low payout means CPGX will have a runway to continue significant dividend growth over time.

Exhibit 5: NiSource sum of parts

Regulated Operations	Valuation Metric	Estimate - 2017	Valuation Multiple	$MM Value
Electric Utility	P/E	166	16.0	2,659
Gas Distribution	P/E	326	17.0	5,535
Parent Drag	P/E	(122)	17.0	(2,068)
Equity Value of Utility				**6,126**
per share				*$19*

MLP Valuation	2019E	
LP Stake		
Total LP Distributions	451	
Less Taxes on Distributions	(99)	Assume 20% tax rate
Net After Tax Distributions	352	
Target Equity Yield	5.00%	
Equity Value of MLP LP	**5,908**	Discounted back 3 years
per share	$19	
GP Stake		
Total GP Distributions	292	
Less Taxes on Distributions	(102)	Assume 35% tax rate
Net After Tax Distributions	190	
Target Equity Yield of GP	4.00%	
Equity Value of MLP GP	**3,989**	Discounted back 3 years
per share	$13	

Total Equity Value of MLP to NiSource	**9,897**
per share	*$31*
NiSource Equity Value	**$16,023**
Fully Diluted Outstanding Shares	317.5
NI Equity Value per Share	**$50**

Source: Wolfe Research

DISCLOSURE SECTION

Analyst Certification:

The analyst of Wolfe Research, LLC primarily responsible for this research report whose name appears first on the front page of this research report hereby certifies that (i) the recommendations and opinions expressed in this research report accurately reflect the research analysts' personal views about the subject securities or issuers and (ii) no part of the research analysts' compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this report.

Important Disclosures:

Wolfe Research, LLC Fundamental Valuation Methodology:

Company:	Fundamental Valuation Methodology:
NI US Equity	Sum of parts: P/E on utility, EV/EBITDA on midstream

Wolfe Research, LLC Fundamental Target Price Risks:

Company:	Fundamental Target Price Risks:
NI US Equity	Economy, regulatory outcomes, project execution

Wolfe Research, LLC Research Disclosures:

Company:	Research Disclosures:
NI US Equity	None

Other Disclosures:

Wolfe Research, LLC Fundamental Stock Ratings Key:

Outperform (OP):	The security is projected to outperform analyst's industry coverage universe over the next 12 months.
Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
Underperform (UP):	The security is projected to underperform analyst's industry coverage universe over the next 12 months.

Wolfe Research, LLC uses a relative rating system using terms such as Outperform, Peer Perform and Underperform (see definitions above). Please carefully read the definitions of all ratings used in Wolfe Research, LLC research. In addition, since Wolfe Research, LLC research contains more complete information concerning the analyst's views, please carefully read Wolfe Research, LLC research in its entirety and not infer the contents from the ratings alone. In all cases, ratings (or research) should not be used or relied upon as investment advice and any investment decisions should be based upon individual circumstances and other considerations.

Wolfe Research, LLC Sector Weighting System:

Market Overweight (MO):	Expect the industry to outperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.
Market Weight (MW):	Expect the industry to perform approximately in line with the primary market index for the region (S&P 500 in the U.S.) over the next 12 months.
Market Underweight (MU):	Expect the industry to underperform the primary market index for the region (S&P 500 in the U.S.) by at least 10% over the next 12 months.

Wolfe Research, LLC Distribution of Fundamental Stock Ratings (As of March 31, 2015):

Outperform:	42%	1% Investment Banking Clients
Peer Perform:	49%	1% Investment Banking Clients
Underperform:	9%	0% Investment Banking Clients

Wolfe Research, LLC does not assign ratings of Buy, Hold or Sell to the stocks it covers. Outperform, Peer Perform and Underperform are not the respective equivalents of Buy, Hold and Sell but represent relative weightings as defined above. To satisfy regulatory requirements, Outperform has been designated to correspond with Buy, Peer Perform has been designated to correspond with Hold and Underperform has been designated to correspond with Sell.

Wolfe Research Securities and Wolfe Research, LLC have adopted the use of Wolfe Research as brand names. Wolfe Research Securities, a member of FINRA (www.finra.org) is the broker-dealer affiliate of Wolfe Research, LLC and is responsible for the contents of this material. Any analysts publishing these reports are dually employed by Wolfe Research, LLC and Wolfe Research Securities.

The content of this report is to be used solely for informational purposes and should not be regarded as an offer, or a solicitation of an offer, to buy or sell a security, financial instrument or service discussed herein. Opinions in this communication constitute the current judgment of the author as of the date and time of this report and are subject to change without notice. Information herein is believed to be reliable but Wolfe Research and its affiliates, including but not limited to Wolfe Research Securities, makes no representation that it is complete or accurate. The information provided in this communication is not designed to replace a recipient's own decision-making processes for assessing a proposed transaction or investment involving a financial instrument discussed herein. Recipients are encouraged to seek financial advice from their financial advisor regarding the appropriateness of investing in a security or financial instrument referred to in this report and should understand that statements regarding the future performance of the financial instruments or the securities referenced herein may not be realized. Past performance is not indicative of future results. This report is not intended for distribution to, or use by, any person or entity in any location where such distribution or use would be contrary to applicable law, or which would subject Wolfe Research, LLC or any affiliate to any registration requirement within such location. For additional important disclosures, please see www.WolfeResearch.com/Disclosures.

The views expressed in Wolfe Research, LLC research reports with regards to sectors and/or specific companies may from time to time be inconsistent with the views implied by inclusion of those sectors and companies in other Wolfe Research, LLC analysts' research reports and modeling screens. Wolfe Research communicates with clients across a variety of mediums of the clients' choosing including emails, voice blasts and electronic publication to our proprietary website.

This report is limited for the sole use of clients of Wolfe Research. Authorized users have received an encryption decoder which legislates and monitors the access to Wolfe Research, LLC content. Any distribution of the content produced by Wolfe Research, LLC will violate the understanding of the terms of our relationship.

BARCLAYS

Equity Research
Power & Utilities | North America Power & Utilities
18 December 2015

NiSource, Inc.
Indiana Approves TDSIC Settlement

On 12/16 NI received Indiana Utility Regulation Commission (IURC) approval (3-2) of its TDSIC settlement. The order provides for 100% deferral and recovery treatment as a regulatory asset in the current rate case and sets the stage for a new TDSIC filing late this year or early next year. We maintain our $19 price target.

The outcome allows for deferral of cap-ex and TDSIC costs for review in NI's electric rate case. Since 2014 the cap-ex spending has been $160M and there is a modest earnings benefit that NI will likely realize in 2016. Deferral items include depreciation, allowance for funds used during construction and post in service carrying costs.

The TDSIC will be on a program basis which will provide the appropriate level of detail for recovery. We are not overly concerned by the authorization of a spending on a program as opposed to a project basis. Parties to the settlement do not forfeit their opportunity to challenge costs in the company's rate case.

NI also received approval on December 3 of the company's Pennsylvania gas distribution settlement for a $28M increase which has gone into effect. We maintain our EPS estimates of $0.94 for 2015, $1.07 for 2016 and $1.14 for 2017.

NI: Quarterly and Annual EPS (USD)

	2014	2015			2016			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2015	2016
Q1	0.82A	0.50A	0.50A	0.85A	N/A	N/A	0.60E	-39%	N/A
Q2	0.25A	0.07A	0.07A	0.18A	N/A	N/A	0.07E	-72%	N/A
Q3	0.14A	0.06A	0.06A	0.06A	N/A	N/A	0.07E	-57%	N/A
Q4	0.51A	0.35E	0.31E	0.33E	N/A	N/A	0.32E	-39%	N/A
Year	1.72A	0.94E	0.94E	1.31E	1.07E	1.07E	1.06E	-45%	14%
P/E	11.2		20.4			18.0			

Source: Barclays Research.
Consensus numbers are from Thomson Reuters

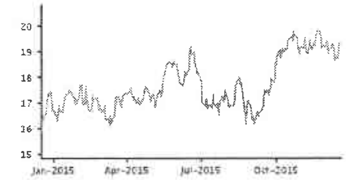
Stock Rating	EQUAL WEIGHT Unchanged
Industry View	NEUTRAL Unchanged
Price Target	USD 19.00 Unchanged

Price (17-Dec-2015)	USD 19.28
Potential Upside/Downside	-1.5%
Tickers	NI

Market Cap (USD mn)	6144
Shares Outstanding (mn)	318.67
Free Float (%)	99.41
52 Wk Avg Daily Volume (mn)	4.6
52 Wk Avg Daily Value (USD mn)	80.00
Dividend Yield (%)	3.2
Return on Equity TTM (%)	5.57
Current BVPS (USD)	11.96

Source: Thomson Reuters

Price Performance	Exchange-NYSE
52 Week range	USD 20.13-15.87



Link to Barclays Live for interactive charting

North America Power & Utilities
Daniel Ford, CFA
+ 1 212 526 0836
daniel.x.ford@barclays.com
BCI, US

Gregg Orrill
+ 1 212 526 0865
gregg.orrill@barclays.com
BCI, US

North America Power & Utilities | Industry View: NEUTRAL

NiSource, Inc. (NI)

Stock Rating: EQUAL WEIGHT

Income statement ($mn)	2014A	2015E	2016E	2017E	CAGR
Revenue	6,471	4,984	5,124	5,229	-6.9%
EBITDA (adj)	1,868	1,357	1,469	1,542	-6.2%
EBIT (adj)	1,262	852	945	1,003	-7.4%
Pre-tax income (adj)	841	463	529	568	-12.3%
Net income (adj)	531	301	344	369	-11.4%
EPS (adj) ($)	1.72	0.94	1.07	1.14	-12.9%
Diluted shares (mn)	316.6	319.2	321.7	324.6	0.8%
DPS ($)	1.04	0.83	0.65	0.69	-12.8%

Margin and return data					Average
EBITDA (adj) margin (%)	28.9	27.2	28.7	29.5	28.6
EBIT (adj) margin (%)	19.5	17.1	18.4	19.2	18.6
Pre-tax (adj) margin (%)	13.0	9.3	10.3	10.9	10.9
Net (adj) margin (%)	8.2	6.0	6.7	7.1	7.0
ROIC (%)	7.8	8.5	9.4	9.0	8.7
ROA (%)	2.1	1.6	1.8	1.9	1.9
ROE (%)	9.0	4.9	9.0	9.2	8.0

Balance sheet and cash flow ($mn)					CAGR
Net PP&E	16,017	12,000	12,840	13,585	-5.3%
Total net assets	24,866	18,272	19,041	19,796	-7.3%
Capital employed	16,175	9,982	10,027	11,182	-11.6%
Shareholders' equity	6,175	3,824	4,009	4,214	-12.0%
Net debt/(funds)	9,974	5,858	5,788	6,729	-12.3%
Cash flow from operations	1,321	3,992	1,009	907	-11.8%
Capital expenditure	-2,029	-1,320	-1,364	-1,284	N/A
Free cash flow	-708	2,672	-355	-377	N/A
Pre-dividend FCF	-512	-1,217	319	-804	N/A

Valuation and leverage metrics					Average
P/E (adj) (x)	11.2	20.4	18.0	17.0	16.6
EV/EBITDA (adj) (x)	8.6	8.8	8.1	8.3	8.5
EV/EBIT (adj) (x)	12.7	14.1	12.6	12.8	13.1
P/BV (x)	1.0	1.6	1.5	1.5	1.4
Dividend yield (%)	5.4	4.3	3.4	3.6	4.2
Total debt/capital (%)	61.8	61.7	60.0	62.3	61.5
Net debt/EBITDA (adj) (x)	5.3	4.3	3.9	4.4	4.5

Selected operating metrics					Average
Payout ratio (%)	60.5	88.0	60.8	60.7	67.5
Interest cover (x)	-2.8	-2.2	-2.3	-2.3	-2.4
Regulated (%)	N/A	N/A	N/A	N/A	N/A

Source: Company data, Barclays Research
Note: FY End Dec

Price (17-Dec-2015)	**USD 19.28**
Price Target	**USD 19.00**

Why Equal Weight? We view NI as a quality utility with a well-defined rate base growth strategy from gas and electric infrastructure modernization, which we see as relatively low-risk. Additionally, we don't see a need for equity issuance until 2018. While NI could trade above it, NI already trades in line with our fundamental target at a 10% group premium based on 2017 EPS.

Upside case **USD 20.00**

Our $20 upside case assumes higher earnings from favorable regulatory outcomes, and assigns a 10% premium to the utility average 15.2x 2017 P/E multiple for the gas-heavy business mix and constructive regulation.

Downside case **USD 17.00**

Our $17 downside case reflects an average 2017 P/E multiple of 15.2x our $1.14.

Upside/Downside scenarios

ANALYST(S) CERTIFICATION(S):

We, Daniel Ford, CFA and Gregg Orrill, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

IMPORTANT DISCLOSURES

Barclays Research is a part of the Investment Bank of Barclays Bank PLC and its affiliates (collectively and each individually, "Barclays"). Where any companies are the subject of this research report, for current important disclosures regarding those companies please send a written request to: Barclays Research Compliance, 745 Seventh Avenue, 13th Floor, New York, NY 10019 or refer to http://publicresearch.barclays.com or call 212-526-1072.

The analysts responsible for preparing this research report have received compensation based upon various factors including the firm's total revenues, a portion of which is generated by investment banking activities.

Analysts regularly conduct site visits to view the material operations of covered companies, but Barclays policy prohibits them from accepting payment or reimbursement by any covered company of their travel expenses for such visits.

In order to access Barclays Statement regarding Research Dissemination Policies and Procedures, please refer to http://publicresearch.barcap.com/static/S_ResearchDissemination.html. In order to access Barclays Research Conflict Management Policy Statement, please refer to: http://publicresearch.barcap.com/static/S_ConflictManagement.html.

The Investment Bank's Research Department produces various types of research including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research, whether as a result of differing time horizons, methodologies, or otherwise.

Primary Stocks (Ticker, Date, Price)

NiSource, Inc. (NI, 17-Dec-2015, USD 19.28), Equal Weight/Neutral, A/C/D/J/K/L/M/O

Disclosure Legend:

A: Barclays Bank PLC and/or an affiliate has been lead manager or co-lead manager of a publicly disclosed offer of securities of the issuer in the previous 12 months.

B: An employee of Barclays Bank PLC and/or an affiliate is a director of this issuer.

C: Barclays Bank PLC and/or an affiliate is a market-maker in equity securities issued by this issuer.

D: Barclays Bank PLC and/or an affiliate has received compensation for investment banking services from this issuer in the past 12 months.

E: Barclays Bank PLC and/or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer within the next 3 months.

F: Barclays Bank PLC and/or an affiliate beneficially owned 1% or more of a class of equity securities of the issuer as of the end of the month prior to the research report's issuance.

G: One of the analysts on the coverage team (or a member of his or her household) owns shares of the common stock of this issuer.

H: This issuer beneficially owns 5% or more of any class of common equity securities of Barclays PLC.

I: Barclays Bank PLC and/or an affiliate has a significant financial interest in the securities of this issuer.

J: Barclays Bank PLC and/or an affiliate is a liquidity provider and/or trades regularly in the securities of this issuer and/or in any related derivatives.

K: Barclays Bank PLC and/or an affiliate has received non-investment banking related compensation (including compensation for brokerage services, if applicable) from this issuer within the past 12 months.

L: This issuer is, or during the past 12 months has been, an investment banking client of Barclays Bank PLC and/or an affiliate.

M: This issuer is, or during the past 12 months has been, a non-investment banking client (securities related services) of Barclays Bank PLC and/or an affiliate.

N: This issuer is, or during the past 12 months has been, a non-investment banking client (non-securities related services) of Barclays Bank PLC and/or an affiliate.

O: Barclays Capital Inc., through Barclays Market Makers, is a Designated Market Maker in this issuer's stock, which is listed on the New York Stock Exchange. At any given time, its associated Designated Market Maker may have "long" or "short" inventory position in the stock; and its associated Designated Market Maker may be on the opposite side of orders executed on the floor of the New York Stock Exchange in the stock.

P: A partner, director or officer of Barclays Capital Canada Inc. has, during the preceding 12 months, provided services to the subject company for remuneration, other than normal course investment advisory or trade execution services.

Q: Barclays Bank PLC and/or an affiliate is a Corporate Broker to this issuer.

R: Barclays Capital Canada Inc. and/or an affiliate has received compensation for investment banking services from this issuer in the past 12 months.

S: Barclays Capital Canada Inc. is a market-maker in an equity or equity related security issued by this issuer.

T: Barclays Bank PLC and/or an affiliate is providing equity advisory services to this issuer.

IMPORTANT DISCLOSURES CONTINUED

U: The equity securities of this Canadian issuer include subordinate voting restricted shares.

V: The equity securities of this Canadian issuer include non-voting restricted shares.

W: Barclays Bank PLC and/or an affiliate should be assumed to be an actual beneficial owner of 1% or more of all the securities (including debt securities) of this issuer as of the end of the month prior to the research report's issuance.

Risk Disclosure(s)

Master limited partnerships (MLPs) are pass-through entities structured as publicly listed partnerships. For tax purposes, distributions to MLP unit holders may be treated as a return of principal. Investors should consult their own tax advisors before investing in MLP units.

Guide to the Barclays Fundamental Equity Research Rating System:

Our coverage analysts use a relative rating system in which they rate stocks as Overweight, Equal Weight or Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry (the "industry coverage universe").

In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Underweight - The stock is expected to underperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Rating Suspended - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Investment Bank of Barclays Bank PLC is acting in an advisory capacity in a merger or strategic transaction involving the company.

Industry View

Positive - industry coverage universe fundamentals/valuations are improving.

Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "industry coverage universe":

North America Power & Utilities

AES Corp. (AES)	Alliant Energy (LNT)	Ameren Corp. (AEE)
American Electric Power (AEP)	American Water Works (AWK)	Aqua America (WTR)
Brookfield Infrastructure Partners LP (BIP)	Brookfield Infrastructure Partners LP (BIP_u.TO)	Brookfield Renewable Energy Partners LP (BEP)
Brookfield Renewable Energy Partners LP (BEP_u.TO)	Calpine Corp. (CPN)	Canadian Utilities Ltd. (CU.TO)
CenterPoint Energy Inc. (CNP)	CMS Energy (CMS)	Consolidated Edison (ED)
Dominion Resources (D)	DTE Energy (DTE)	Duke Energy (DUK)
Dynegy Inc. (DYN)	Edison International (EIX)	Emera Inc. (EMA.TO)
Entergy Corp. (ETR)	Eversource Energy (ES)	Exelon Corp. (EXC)
FirstEnergy Corp. (FE)	Fortis Inc. (FTS.TO)	Great Plains Energy Inc. (GXP)
Hawaiian Electric Inds (HE)	ITC Holdings (ITC)	National Grid Plc (NG.L)
National Grid Plc (NGG)	NextEra Energy (NEE)	NextEra Energy Partners, LP. (NEP)
NiSource, Inc. (NI)	NRG Energy (NRG)	NRG Yield Inc. (NYLD)
OGE Energy Corp. (OGE)	Ormat Technologies (ORA)	Pepco Holdings (POM)
PG&E Corp. (PCG)	Pinnacle West Capital (PNW)	PNM Resources (PNM)
Portland General Electric Co. (POR)	PPL Corporation (PPL)	Public Service Enterprise Gp (PEG)
SCANA Corp. (SCG)	Sempra Energy (SRE)	Southern Co. (SO)
Talen Energy Corp. (TLN)	TECO Energy (TE)	TerraForm Power, Inc. (TERP)
Vivint Solar Inc. (VSLR)	WEC Energy Group (WEC)	Westar Energy (WR)
Xcel Energy (XEL)		

IMPORTANT DISCLOSURES CONTINUED

Distribution of Ratings:

Barclays Equity Research has 2809 companies under coverage.

42% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 50% of companies with this rating are investment banking clients of the Firm.

40% have been assigned an Equal Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 43% of companies with this rating are investment banking clients of the Firm.

15% have been assigned an Underweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Sell rating; 39% of companies with this rating are investment banking clients of the Firm.

Guide to the Barclays Research Price Target:

Each analyst has a single price target on the stocks that they cover. The price target represents that analyst's expectation of where the stock will trade in the next 12 months. Upside/downside scenarios, where provided, represent potential upside/potential downside to each analyst's price target over the same 12-month period.

Top Picks:

Barclays Equity Research's "Top Picks" represent the single best alpha-generating investment idea within each industry (as defined by the relevant "industry coverage universe"), taken from among the Overweight-rated stocks within that industry. Barclays Equity Research publishes global and regional "Top Picks" reports every quarter and analysts may also publish intra-quarter changes to their Top Picks, as necessary. While analysts may highlight other Overweight-rated stocks in their published research in addition to their Top Pick, there can only be one "Top Pick" for each industry. To view the current list of Top Picks, go to the **Top Picks** page on Barclays Live (https://live.barcap.com/go/keyword/TopPicksGlobal).

To see a list of companies that comprise a particular industry coverage universe, please go to http://publicresearch.barclays.com.

Barclays legal entities involved in publishing research:

Barclays Bank PLC (Barclays, UK)

Barclays Capital Inc. (BCI, US)

Barclays Securities Japan Limited (BSJL, Japan)

Barclays Bank PLC, Tokyo branch (Barclays Bank, Japan)

Barclays Bank PLC, Hong Kong branch (Barclays Bank, Hong Kong)

Barclays Capital Canada Inc. (BCCI, Canada)

Absa Bank Limited (Absa, South Africa)

Barclays Bank Mexico, S.A. (BBMX, Mexico)

Barclays Capital Securities Taiwan Limited (BCSTW, Taiwan)

Barclays Capital Securities Limited (BCSL, South Korea)

Barclays Securities (India) Private Limited (BSIPL, India)

Barclays Bank PLC, India branch (Barclays Bank, India)

Barclays Bank PLC, Singapore branch (Barclays Bank, Singapore)

Barclays Bank PLC, Australia branch (Barclays Bank, Australia)

IMPORTANT DISCLOSURES CONTINUED

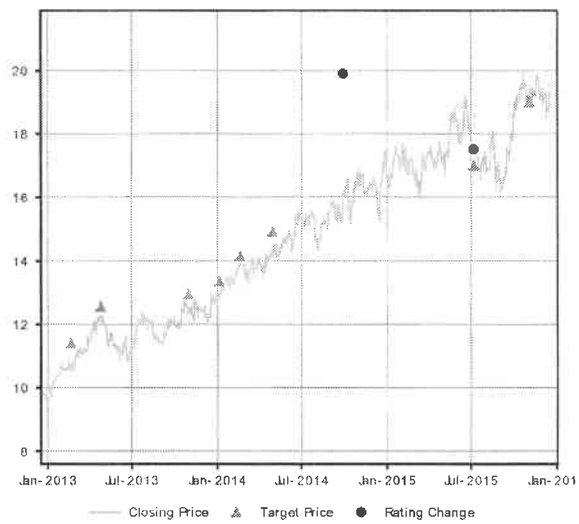
NiSource, Inc. (NI / NI)

USD 19.28 (17-Dec-2015)

Stock Rating: **EQUAL WEIGHT**

Industry View: **NEUTRAL**

Rating and Price Target Chart - USD (as of 17-Dec-2015)



Source: IDC, Barclays Research

Link to Barclays Live for interactive charting

Currency=USD

Date	Closing Price	Rating	Adjusted Price Target
03-Nov-2015	19.12		19.00
06-Jul-2015	16.84	Equal Weight	17.00
29-Sep-2014	16.05	Rating Suspended	
30-Apr-2014	14.27		14.93
19-Feb-2014	13.91		14.15
06-Jan-2014	12.95		13.36
31-Oct-2013	12.39		12.97
24-Apr-2013	12.24		12.57
20-Feb-2013	10.63		11.40

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

A: Barclays Bank PLC and/or an affiliate has been lead manager or co-lead manager of a publicly disclosed offer of securities of NiSource, Inc. in the previous 12 months.

C: Barclays Bank PLC and/or an affiliate is a market-maker in equity securities issued by NiSource, Inc..

D: Barclays Bank PLC and/or an affiliate has received compensation for investment banking services from NiSource, Inc. in the past 12 months.

J: Barclays Bank PLC and/or an affiliate is a liquidity provider and/or trades regularly in the securities by NiSource, Inc. and/or in any related derivatives.

K: Barclays Bank PLC and/or an affiliate has received non-investment banking related compensation (including compensation for brokerage services, if applicable) from NiSource, Inc. within the past 12 months.

L: NiSource, Inc. is, or during the past 12 months has been, an investment banking client of Barclays Bank PLC and/or an affiliate.

M: NiSource, Inc. is, or during the past 12 months has been, a non-investment banking client (securities related services) of Barclays Bank PLC and/or an affiliate.

O: Barclays Capital Inc., through Barclays Market Makers, is a Designated Market Maker in NiSource, Inc. stock, which is listed on the New York Stock Exchange. At any given time, its associated Designated Market Maker may have "long" or "short" inventory position in the stock; and its associated Designated Market Maker may be on the opposite side of orders executed on the floor of the New York Stock Exchange in the stock.

Valuation Methodology: Our $19 price target is a 10% premium on the regulated group average 15.2x P/E multiple applied to our 2017 EPS estimate of $1.14.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Risks include adverse regulatory outcomes, lower sales growth, higher cost of capital, and earlier than expected equity needs.

DISCLAIMER:

This publication has been produced by the Investment Bank of Barclays Bank PLC and/or one or more of its affiliates (collectively and each individually, "Barclays"). It has been distributed by one or more Barclays legal entities that are a part of the Investment Bank as provided below. It is provided to our clients for information purposes only, and Barclays makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this publication. Barclays will not treat unauthorized recipients of this report as its clients and accepts no liability for use by them of the contents which may not be suitable for their personal use. Prices shown are indicative and Barclays is not offering to buy or sell or soliciting offers to buy or sell any financial instrument.

Without limiting any of the foregoing and to the extent permitted by law, in no event shall Barclays, nor any affiliate, nor any of their respective officers, directors, partners, or employees have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this publication or its contents.

Other than disclosures relating to Barclays, the information contained in this publication has been obtained from sources that Barclays Research believes to be reliable, but Barclays does not represent or warrant that it is accurate or complete. Barclays is not responsible for, and makes no warranties whatsoever as to, the content of any third-party web site accessed via a hyperlink in this publication and such information is not incorporated by reference.

The views in this publication are those of the author(s) and are subject to change, and Barclays has no obligation to update its opinions or the information in this publication. If this publication contains recommendations, those recommendations reflect solely and exclusively those of the authoring analyst(s), and such opinions were prepared independently of any other interests, including those of Barclays and/or its affiliates. This publication does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the clients who receive it. The securities discussed herein may not be suitable for all investors. Barclays recommends that investors independently evaluate each issuer, security or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

This document is being distributed (1) only by or with the approval of an authorised person (Barclays Bank PLC) or (2) to, and is directed at (a) persons in the United Kingdom having professional experience in matters relating to investments and who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); or (b) high net worth companies, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Order; or (c) other persons to whom it may otherwise lawfully be communicated (all such persons being "Relevant Persons"). Any investment or investment activity to which this communication relates is only available to and will only be engaged in with Relevant Persons. Any other persons who receive this communication should not rely on or act upon it. Barclays Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange.

The Investment Bank of Barclays Bank PLC undertakes U.S. securities business in the name of its wholly owned subsidiary Barclays Capital Inc., a FINRA and SIPC member. Barclays Capital Inc., a U.S. registered broker/dealer, is distributing this material in the United States and, in connection therewith accepts responsibility for its contents. Any U.S. person wishing to effect a transaction in any security discussed herein should do so only by contacting a representative of Barclays Capital Inc. in the U.S. at 745 Seventh Avenue, New York, New York 10019.

Non-U.S. persons should contact and execute transactions through a Barclays Bank PLC branch or affiliate in their home jurisdiction unless local regulations permit otherwise.

Barclays Bank PLC, Paris Branch (registered in France under Paris RCS number 381 066 281) is regulated by the Autorité des marchés financiers and the Autorité de contrôle prudentiel. Registered office 34/36 Avenue de Friedland 75008 Paris.

This material is distributed in Canada by Barclays Capital Canada Inc., a registered investment dealer, a Dealer Member of IIROC (www.iiroc.ca), and a Member of the Canadian Investor Protection Fund (CIPF).

Subject to the conditions of this publication as set out above, the Corporate & Investment Banking Division of Absa Bank Limited, an authorised financial services provider (Registration No.: 1986/004794/06. Registered Credit Provider Reg No NCRCP7), is distributing this material in South Africa. Absa Bank Limited is regulated by the South African Reserve Bank. This publication is not, nor is it intended to be, advice as defined and/or contemplated in the (South African) Financial Advisory and Intermediary Services Act, 37 of 2002, or any other financial, investment, trading, tax, legal, accounting, retirement, actuarial or other professional advice or service whatsoever. Any South African person or entity wishing to effect a transaction in any security discussed herein should do so only by contacting a representative of the Corporate & Investment Banking Division of Absa Bank Limited in South Africa, 15 Alice Lane, Sandton, Johannesburg, Gauteng 2196. Absa Bank Limited is a member of the Barclays group.

In Japan, foreign exchange research reports are prepared and distributed by Barclays Bank PLC Tokyo Branch. Other research reports are distributed to institutional investors in Japan by Barclays Securities Japan Limited. Barclays Securities Japan Limited is a joint-stock company incorporated in Japan with registered office of 6-10-1 Roppongi, Minato-ku, Tokyo 106-6131, Japan. It is a subsidiary of Barclays Bank PLC and a registered financial instruments firm regulated by the Financial Services Agency of Japan. Registered Number: Kanto Zaimukyokucho (kinsho) No. 143.

Barclays Bank PLC, Hong Kong Branch is distributing this material in Hong Kong as an authorised institution regulated by the Hong Kong Monetary Authority. Registered Office: 41/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Information on securities/instruments that trade in Taiwan or written by a Taiwan-based research analyst is distributed by Barclays Capital Securities Taiwan Limited to its clients. The material on securities/instruments not traded in Taiwan is not to be construed as 'recommendation' in Taiwan. Barclays Capital Securities Taiwan Limited does not accept orders from clients to trade in such securities. This material may not be distributed to the public media or used by the public media without prior written consent of Barclays.

This material is distributed in South Korea by Barclays Capital Securities Limited, Seoul Branch.

All Indian securities-related research and other equity research produced by the Investment Bank are distributed in India by Barclays Securities (India) Private Limited (BSIPL). BSIPL is a company incorporated under the Companies Act, 1956 having CIN U67120MH2006PTC161063. BSIPL is registered and regulated by the Securities and Exchange Board of India (SEBI) as a Research Analyst: INH000001519; Portfolio Manager INP000002585; Stock Broker/Trading and Clearing Member: National Stock Exchange of India Limited (NSE) Capital Market INB231292732, NSE Futures & Options INF231292732, NSE Currency derivatives INE231450334, Bombay Stock Exchange Limited (BSE) Capital Market INB011292738, BSE Futures & Options INF011292738; Merchant Banker: INM000011195; Depository Participant (DP) with the National Securities & Depositories Limited (NSDL): DP ID: IN-DP-NSDL-299-2008; Investment Adviser: INA000000391. The registered office of BSIPL is at 208, Ceejay House, Shivsagar Estate, Dr. A. Besant Road, Worli, Mumbai – 400 018, India. Telephone No: +91 2267196000. Fax number: +91 22 67196100. Any other reports produced by the Investment Bank are distributed in India by Barclays Bank PLC, India Branch, an associate of BSIPL in India that is registered with Reserve Bank of India (RBI) as a Banking Company under the provisions of The Banking Regulation Act, 1949 (Regn No BOM43) and registered with SEBI as Merchant Banker (Regn No INM000002129) and also as Banker to the Issue (Regn No INBI00000950). Barclays Investments and Loans (India) Limited, registered with RBI as Non Banking Financial Company (Regn No RBI CoR-07-00258), and Barclays Wealth Trustees (India) Private Limited, registered with Registrar of Companies (CIN U93000MH2008PTC188438), are associates of BSIPL in India that are not authorised to distribute any reports produced by the Investment Bank.

Barclays Bank PLC Frankfurt Branch distributes this material in Germany under the supervision of Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

This material is distributed in Malaysia by Barclays Capital Markets Malaysia Sdn Bhd.

This material is distributed in Brazil by Banco Barclays S.A.

This material is distributed in Mexico by Barclays Bank Mexico, S.A.

Barclays Bank PLC in the Dubai International Financial Centre (Registered No. 0060) is regulated by the Dubai Financial Services Authority (DFSA). Principal place of business in the Dubai International Financial Centre: The Gate Village, Building 4, Level 4, PO Box 506504, Dubai, United Arab Emirates. Barclays Bank PLC-DIFC Branch, may only undertake the financial services activities that fall within the scope of its existing DFSA licence. Related financial products or services are only available to Professional Clients, as defined by the Dubai Financial Services Authority.

Barclays Bank PLC in the UAE is regulated by the Central Bank of the UAE and is licensed to conduct business activities as a branch of a commercial bank incorporated outside the UAE in Dubai (Licence No.: 13/1844/2008, Registered Office: Building No. 6, Burj Dubai Business Hub, Sheikh Zayed Road, Dubai City) and Abu Dhabi (Licence No.: 13/952/2008, Registered Office: Al Jazira Towers, Hamdan Street, PO Box 2734, Abu Dhabi).

Barclays Bank PLC in the Qatar Financial Centre (Registered No. 00018) is authorised by the Qatar Financial Centre Regulatory Authority (QFCRA). Barclays Bank PLC-QFC Branch may only undertake the regulated activities that fall within the scope of its existing QFCRA licence. Principal place of business in Qatar: Qatar Financial Centre, Office 1002, 10th Floor, QFC Tower, Diplomatic Area, West Bay, PO Box 15891, Doha, Qatar. Related financial products or services are only available to Business Customers as defined by the Qatar Financial Centre Regulatory Authority.

This material is distributed in the UAE (including the Dubai International Financial Centre) and Qatar by Barclays Bank PLC.

This material is not intended for investors who are not Qualified Investors according to the laws of the Russian Federation as it might contain information about or description of the features of financial instruments not admitted for public offering and/or circulation in the Russian Federation and thus not eligible for non-Qualified Investors. If you are not a Qualified Investor according to the laws of the Russian Federation, please dispose of any copy of this material in your possession.

This material is distributed in Singapore by the Singapore branch of Barclays Bank PLC, a bank licensed in Singapore by the Monetary Authority of Singapore. For matters in connection with this report, recipients in Singapore may contact the Singapore branch of Barclays Bank PLC, whose registered address is 10 Marina Boulevard, #23-01 Marina Bay Financial Centre Tower 2, Singapore 018983.

Barclays Bank PLC, Australia Branch (ARBN 062 449 585, AFSL 246617) is distributing this material in Australia. It is directed at 'wholesale clients' as defined by Australian Corporations Act 2001.

IRS Circular 230 Prepared Materials Disclaimer: Barclays does not provide tax advice and nothing contained herein should be construed to be tax advice. Please be advised that any discussion of U.S. tax matters contained herein (including any attachments) (i) is not intended or written to be used, and cannot be used, by you for the purpose of avoiding U.S. tax-related penalties; and (ii) was written to support the promotion or marketing of the transactions or other matters addressed herein. Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.

Bloomberg

Pipe Spinoff Shifts NiSource Focus to Rate Cases: 2Q Review

Analyst: Stacy Nemeroff
Aug 13, 2015

NiSource's earnings growth and earned return on equity may fall now that it's a pure-play utility. The spinoff of Columbia Pipeline Group in early July contrasts with other utilities' announcements of new pipeline investments, which earn higher Federal Energy Regulatory Commission-authorized returns on equity than the average of 10% for Nisource's utility rate base. NiSource's earnings growth may almost exclusively depend on rate case outcomes and automatic mechanisms to recover gas distribution investments.

Utility Networks Team
Bloomberg Intelligence

Key Points:
* Constant Stream of Rate Hikes Drive Utility Earnings
* Consolidated Return on Equity to Shift Without Pipes
* NiSource Is Pure-Play Utility After Pipeline Spinoff
* Company Forecasts Earnings Growth to Fall to 4% to 6%

Additional Resources:
* Analyzer
* Earnings Release
* Company Presentation

Citi Research
Equities

12 May 2015 | 7 pages

Pipelines & Gas Utilities
North America | United States

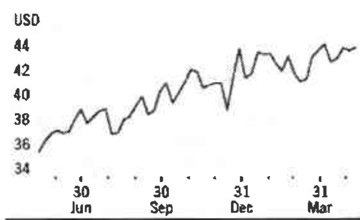
NiSource Inc (NI)

Alert: NI & CPGX Announce Post-Spin Dividend Guidance

- **Dividend Guidance** – NI announced its intention today for NiSource and Columbia Pipeline Group (ticker to be CPGX) to pay an initial combined quarterly dividend of $0.28/s following the separation of the two companies on Jul. 1. This is a 7.7% increase over the current $0.26 dividend. This payout closely matches our expectation of $0.28/s in 2H15.
- **CPGX Dividend** – The initial quarterly dividend per share at CPGX is expected to be $0.125 with an annual growth rate of 15% through 2020. This growth rate mirrors our prediction of 15% over the same period. The base dividend is slightly higher than we had estimated ($0.113).
- **Contour of CPGX Dividend** – We continue to believe that the CPGX dividend will not grow in a linear fashion over the next 5 years. Instead, we think that management will increase it at 10-12% through 1H18 and then step up to 18-20% through end-2020. The reason for this two-step approach will be to conserve capital to fund major growth projects, like Mountaineer Xpress, then increase the payout once these large incremental cash flows come into play.
- **NI Dividend** – Stand-alone NI will pay an initial quarterly dividend of $0.155, with a 4-6% growth rate. This rate matches the long-term NI dividend guidance put forward at the Analyst Day in Sep. 2014.
- **Our Take** – For our views on the spin-off valuations of NI and CPGX, see our Apr. 2015 report, NiSource Inc (NI) - Resuming Coverage NI; Separation Provides Modest Upside.
- **Recommendations** – We remain Neutral on NI and reiterate our $46 price target.

Neutral	**2**
Price (12 May 15)	US$44.34
Target price	US$46.00
Expected share price return	3.7%
Expected dividend yield	2.5%
Expected total return	**6.3%**
Market Cap	US$14,073M

Price Performance
(RIC: NI.N, BB: NI US)



Faisel Khan, CFA
+1-212-816-2825
faisel.khan@citi.com

Blake Clayton, Ph.D.
+1-212-816-6741
blake.clayton@citi.com

NiSource Inc

Valuation

We average multiple valuation methodologies to derive our $46 target. Our NAV yields a value of $40. We value regulated assets at a multiple of rate base. These values are partially offset by the company's net debt. Our DDM, which incorporates our rate base growth assumptions, values the company at $46. Our P/E and EV/EBITDA multiples are based on proprietary analyses, which utilize current equity risk premiums, current betas and projected risk-free yields. Our P/E and EV/EBITDA analyses yield values of $49 and $45, respectively.

Risks

The key risks to our investment thesis and target price are (1) Rate Cases – We estimate the company will receive rate relief at several of its utilities. Under- or over-estimation of relief could materially impact our estimates (2) Weather – Changes in weather impact the stability of earnings (3) Capital Investment Recovery — NI spends a substantial amount of capital to maintain and expand its distribution system. NI depends on rate increases from public utility commission to earn a fair return on this expansion. In addition, tariffs on the pipeline system are regulated by the FERC (4) Pipeline Capacity Contracts — The risk of re-contracting pipeline capacity at lower rates, upon contract expiration, could have a material impact on earnings (5) Uplift from an MLP – Currently, we do not include any uplift from NiSource pursuing an MLP strategy. However, significant upside may exist if the Company is able to successfully implement this strategy.

Appendix A-1

Analyst Certification

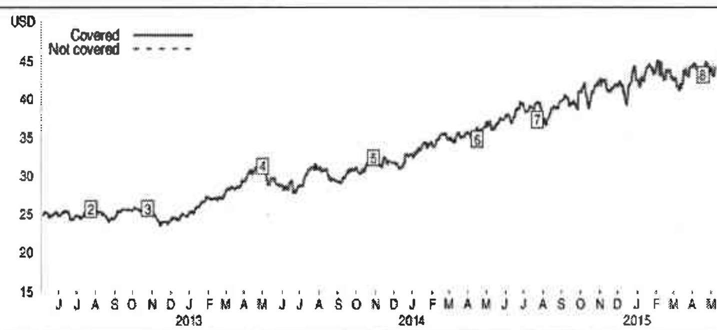
The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

NiSource Inc (NI)

Ratings and Target Price History
Fundamental Research

Analyst: Faisel Khan, CFA

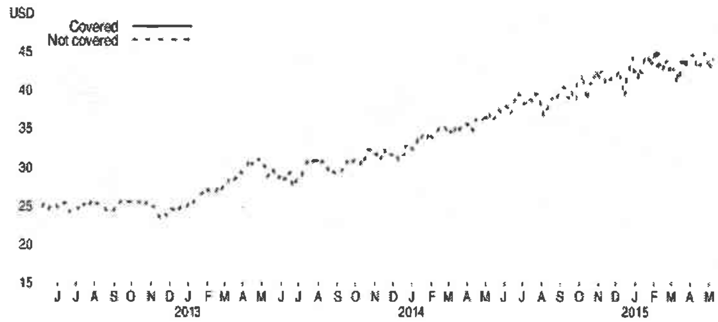


	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	25-Jul-12	2	*26.00	25.12
3	25-Oct-12	2	*27.00	25.54
4	1-May-13	2	*30.00	30.61
5	29-Oct-13	2	*35.00	31.95
6	16-Apr-14	2	*36.00	36.30
7	23-Jul-14	2	*40.00	39.43
8	19-Apr-15	2	*46.00	43.15

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

NiSource Inc (NI)
Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)
Analyst: Faisel Khan, CFA



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of NiSource Inc. Due to Citi advising NiSource Inc (the 'Company') on the spin-off of off its pipeline & midstream assets into a publicly traded company, Columbia Pipeline Group, Citi Research suspended its rating and target price on 28 September 2014 (the 'Suspension Date'). Please note that the Company price chart that appears in this report and is available on Citi Research's disclosure website does not reflect that Citi Research did not have a rating or target price between the Suspension Date and 19 April 2015 when Citi Research resumed full coverage.

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of NiSource Inc.

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from NiSource Inc.

Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from NiSource Inc.

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from NiSource Inc in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as investment banking client(s): NiSource Inc.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: NiSource Inc.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, non-securities-related: NiSource Inc.

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability which includes investment banking revenues.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Research product ("the Product"), please contact Citi Research, 388 Greenwich Street, 28th Floor, New York, NY, 10013, Attention: Legal/Compliance [E6WYB64124781]. In addition, the same important disclosures, with the exception of the Valuation and Risk assessments and historical disclosures, are contained on the Firm's disclosure website at https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures. Valuation and Risk assessments can be found in the text of the most recent research note/report regarding the subject company. Historical disclosures (for up to the past three years) will be provided upon request.

Citi Research Equity Ratings Distribution

	12 Month Rating			*Relative Rating*		
Data current as of 31 Mar 2015	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
Citi Research Global Fundamental Coverage	46%	41%	13%	0%	100%	0%
% of companies in each rating category that are investment banking clients	65%	64%	54%	0%	63%	0%

Guide to Citi Research Fundamental Research Investment Ratings:
Citi Research stock recommendations include an investment rating and an optional risk rating to highlight high risk stocks.
Risk rating takes into account both price volatility and fundamental criteria. Stocks will either have no risk rating or a High risk rating assigned.
Investment Ratings: Citi Research investment ratings are Buy, Neutral and Sell. Our ratings are a function of analyst expectations of expected total return ("ETR") and risk. ETR is the sum of the forecast price appreciation (or depreciation) plus the dividend yield for a stock within the next 12 months. The Investment rating definitions are: Buy (1) ETR of 15% or more or 25% or more for High risk stocks; and Sell (3) for negative ETR. Any covered stock not assigned a Buy or a Sell is a Neutral (2). For stocks rated Neutral (2), if an analyst believes that there are insufficient valuation drivers and/or investment catalysts to derive a positive or negative investment view, they may elect with the approval of Citi Research management not to assign a target price and, thus, not derive an ETR. Analysts may place covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and / or trading in the company's securities (e.g. trading suspension). As soon as practically possible, the analyst will publish a note re-establishing a rating and investment thesis. To satisfy regulatory requirements, we correspond Under Review and Neutral to Hold in our ratings distribution table for our 12-month fundamental rating system. However, we reiterate that we do not consider Under Review to be a recommendation.

Prior to May 1, 2014 Citi Research may have also assigned a three-month relative call (or rating) to a stock to highlight expected out-performance (most preferred) or under-performance (least preferred) versus the geographic and industry sector over a 3 month period. The relative call may have highlighted a specific near-term catalyst or event impacting the company or the market that was anticipated to have a short-term price impact on the equity securities of the company. Absent any specific catalyst the analyst(s) may have indicated the most and least preferred stocks in the universe of stocks under consideration, explaining the basis for this short-term view. This three-month view may have been different from and did not affect a stock's fundamental equity rating, which reflected a longer-term total absolute return expectation. For purposes of NASD/NYSE ratings-distribution-disclosure rules, most preferred calls corresponded to a buy recommendation and least preferred calls corresponded to a sell recommendation. Any stock not assigned to a most preferred or least preferred call was considered non-relative-rated (NRR). For purposes of NASD/NYSE ratings-distribution-disclosure rules we corresponded NRR to Hold in our ratings distribution table for our 3-month relative rating system. However, we reiterate that we did not consider NRR to be a recommendation.

Prior to October 8, 2011, the firm's stock recommendation system included a risk rating and an investment rating. **Risk ratings,** which took into account both price volatility and fundamental criteria, were: Low (L), Medium (M), High (H), and Speculative (S). **Investment Ratings** of Buy, Hold and Sell were a function of the Citi Research expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating. Additionally, analysts could have placed covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and/or trading in the company's securities (e.g. trading suspension). Stocks placed "Under Review" were monitored daily by management and as practically possible, the analyst published a note re-establishing a rating and investment thesis. For securities in developed markets (US, UK, Europe, Japan, and Australia/New Zealand), investment ratings were:Buy (1) (expected total return of 10% or more for Low-Risk stocks, 15% or more for Medium-Risk stocks, 20% or more for High-Risk stocks, and 35% or more for Speculative stocks); Hold (2) (0%-10% for Low-Risk stocks, 0%-15% for Medium-Risk stocks, 0%-20% for High-Risk stocks, and 0%-35% for Speculative stocks); and Sell (3) (negative total return). For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings were:Buy (1) (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold (2) (5%-15% for Low-Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell (3) (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

NON-US RESEARCH ANALYST DISCLOSURES

Non-US research analysts who have prepared this report (i.e., all research analysts listed below other than those identified as employed by Citigroup Global Markets Inc.) are not registered/qualified as research analysts with FINRA. Such research analysts may not be associated persons of the member organization and therefore may not be subject to the NYSE Rule 472 and NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. The legal entities employing the authors of this report are listed below:

Citigroup Global Markets Inc	Faisel Khan, CFA; Blake Clayton, Ph.D.

OTHER DISCLOSURES

The subject company's share price set out on the front page of this Product is quoted as at 12 May 2015 09:54 AM on the issuer's primary market.

For securities recommended in the Product in which the Firm is not a market maker, the Firm is a liquidity provider in the issuers' financial instruments and may act as principal in connection with such transactions. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in the Product. The Firm regularly trades in the securities of the issuer(s) discussed in the Product. The Firm may engage in securities transactions in a manner inconsistent with the Product and, with respect to securities covered by the Product, will buy or sell from customers on a principal basis.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although information has been obtained from and is based upon sources that the Firm believes to be reliable, we do not guarantee its accuracy and it may be incomplete and condensed. Note, however, that the Firm has taken all reasonable steps to determine the accuracy and completeness of the disclosures made in the Important Disclosures section of the Product. The Firm's research department has received assistance from the subject company(ies) referred to in this Product including, but not limited to, discussions with management of the subject company(ies). Firm policy prohibits research analysts from sending draft research to subject companies. However, it should be presumed that the author of the Product has had discussions with the subject company to ensure factual accuracy prior to publication. All opinions, projections and estimates constitute the judgment of the author as of the date of the Product and these, plus any other information contained in the Product, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Notwithstanding other departments within the Firm advising the companies discussed in this Product, information obtained in such role is not used in the preparation of the Product. Although Citi Research does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citi Research to provide research coverage of the/those issuer(s) mentioned therein, including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received the Product from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in the Product from the Firm. Please ask your Financial Consultant for additional details. Citigroup Global Markets Inc. takes responsibility for the Product in the United States. Any orders by US investors resulting from the information contained in the Product may be placed only through Citigroup Global Markets Inc.

Important Disclosures for Bell Potter Customers: Bell Potter is making this Product available to its clients pursuant to an agreement with Citigroup Global Markets Australia Pty Limited. Neither Citigroup Global Markets Australia Pty Limited nor any of its affiliates has made any determination as to the suitability of the information provided herein and clients should consult with their Bell Potter financial advisor before making any investment decision.

The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by. The Product is made available in **Australia** through Citigroup Global Markets Australia Pty Limited. (ABN 64 003 114 832 and AFSL No. 240992), participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in Australia to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in **Brazil** by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av. Paulista, 1111 - 11º andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of **Canada** by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. This product is available in **Chile** through Banchile Corredores de Bolsa S.A., an indirect subsidiary of Citigroup Inc., which is regulated by the Superintendencia de Valores y Seguros. Agustinas 975, piso 2, Santiago, Chile. The Product is distributed in **Germany** by Citigroup Global Markets Deutschland AG ("CGMD"), which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). CGMD, Reuterweg 16, 60323 Frankfurt am Main. Research which relates to "securities" (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) is issued in **Hong Kong** by, or on behalf of, Citigroup Global Markets Asia Limited which takes full responsibility for its content. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Research is made available through Citibank, N.A., Hong Kong Branch, for its clients in Citi Private Bank, it is made available by Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citibank N.A. is regulated by the Hong Kong Monetary Authority. Please contact your Private Banker in Citibank N.A., Hong Kong, Branch if you have any queries on or any matters arising from or in connection with this document. The Product is made available in **India** by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. 1202, 12th Floor, FIFC, G Block, Bandra Kurla Complex, Bandra East, Mumbai - 400051 Corporate Identity Number: U99999MH2000PTC126657 Tel:+9102261759999 Fax:+9102261759961. The Product is made available in **Indonesia** through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in **Israel** through Citibank NA, regulated by the Bank of Israel and the Israeli Securities Authority. Citibank, N.A, Platinum Building, 21 Ha'arba'ah St, Tel Aviv, Israel. The Product is made available in **Italy** by Citigroup Global Markets Limited, which is authorised by the PRA and regulated by the FCA and the PRA. Via dei Mercanti, 12, Milan, 20121, Italy. The Product is made available in **Japan** by Citigroup Global Markets Japan Inc. ("CGMJ"), which is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. If the Product was distributed by SMBC Nikko Securities Inc. it is being so distributed under license. In the event that an error is found in an CGMJ research report, a revised version will be posted on the Firm's Citi Velocity website. If you have questions regarding Citi Velocity, please call (81 3) 6270-3019 for help. The Product is made available in **Korea** by Citigroup Global Markets Korea Securities Ltd., which is regulated by the Financial Services Commission, the Financial Supervisory Service and the Korea Financial Investment Association (KOFIA). Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. KOFIA makes available registration information of research analysts on its website. Please visit the following website if you wish to find KOFIA registration information on research analysts of Citigroup Global Markets Korea Securities Ltd. http://dis.kofia.or.kr/websquare/index.jsp?w2xPath=/wq/fundMgr/DISFundMgrAnalystList.xml&divisionId=MDIS03002002000000&serviceId=SDIS03002002000. The Product is made available in Korea by Citibank Korea Inc., which is regulated by the Financial Services Commission and the Financial Supervisory Service. Address is Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. The Product is made available in **Malaysia** by Citigroup Global Markets Malaysia Sdn Bhd (Company No. 460819-D) ("CGMM") to its clients and CGMM takes responsibility for its contents. CGMM is regulated by the Securities Commission of Malaysia. Please contact CGMM at Level 43 Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia in respect of any matters arising from, or in connection with, the Product. The Product is made available in **Mexico** by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, Integrante del Grupo Financiero Banamex ("Accival") which is a wholly owned subsidiary of Citigroup Inc. and is regulated by Comision Nacional Bancaria y de Valores. Reforma 398, Col. Juarez, 06600 Mexico, D.F. In **New Zealand** the Product is made available to 'wholesale clients' only as defined by s5C(1) of the Financial Advisers Act 2008 ('FAA') through Citigroup Global Markets Australia Pty Ltd (ABN 64 003 114 832 and AFSL No. 240992), an overseas financial adviser as defined by the FAA, participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in **Pakistan** by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in the **Philippines** through Citicorp Financial Services and Insurance Brokerage Philippines, Inc., which is regulated by the Philippines Securities and Exchange Commission. 20th Floor Citibank Square Bldg. The Product is made available in the Philippines through Citibank NA Philippines branch, Citibank Tower, 8741 Paseo De Roxas, Makati City, Manila. Citibank NA Philippines NA is regulated by The Bangko Sentral ng

Pilipinas. The Product is made available in **Poland** by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Nadzoru Finansowego. Dom Maklerski Banku Handlowego S.A. ul.Senatorska 16, 00-923 Warszawa. The Product is made available in the **Russian Federation** through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gasheka Street, 125047 Moscow. The Product is made available in **Singapore** through Citigroup Global Markets Singapore Pte. Ltd. ("CGMSPL"), a capital markets services license holder, and regulated by Monetary Authority of Singapore. Please contact CGMSPL at 8 Marina View, 21st Floor Asia Square Tower 1, Singapore 018960, in respect of any matters arising from, or in connection with, the analysis of this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore Branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Please contact your Private Banker in Citibank N.A., Singapore Branch if you have any queries on or any matters arising from or in connection with this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). This report is distributed in Singapore by Citibank Singapore Ltd ("CSL") to selected Citigold/Citigold Private Clients. CSL provides no independent research or analysis of the substance or in preparation of this report. Please contact your Citigold//Citigold Private Client Relationship Manager in CSL if you have any queries on or any matters arising from or in connection with this report. This report is intended for recipients who are accredited investors as defined under the Securities and Futures Act (Cap. 289). Citigroup Global Markets (Pty) Ltd. is incorporated in the **Republic of South Africa** (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in the **Republic of China** through Citigroup Global Markets Taiwan Securities Company Ltd. ("CGMTS"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan and/or through Citibank Securities (Taiwan) Company Limited ("CSTL"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan, subject to the respective license scope of each entity and the applicable laws and regulations in the Republic of China. CGMTS and CSTL are both regulated by the Securities and Futures Bureau of the Financial Supervisory Commission of Taiwan, the Republic of China. No portion of the Product may be reproduced or quoted in the Republic of China by the press or any third parties [without the written authorization of CGMTS and CSTL]. If the Product covers securities which are not allowed to be offered or traded in the Republic of China, neither the Product nor any information contained in the Product shall be considered as advertising the securities or making recommendation of the securities in the Republic of China. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security or financial products. Any decision to purchase securities or financial products mentioned in the Product must take into account existing public information on such security or the financial products or any registered prospectus. The Product is made available in **Thailand** through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 399 Interchange 21 Building, 18th Floor, Sukhumvit Road, Klongtoey Nua, Wattana ,Bangkok 10110, Thailand. The Product is made available in **Turkey** through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Buyukdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. In the **U.A.E**, these materials (the "Materials") are communicated by Citigroup Global Markets Limited, DIFC branch ("CGML"), an entity registered in the Dubai International Financial Center ("DIFC") and licensed and regulated by the Dubai Financial Services Authority ("DFSA") to Professional Clients and Market Counterparties only and should not be relied upon or distributed to Retail Clients. A distribution of the different Citi Research ratings distribution, in percentage terms for Investments in each sector covered is made available on request. Financial products and/or services to which the Materials relate will only be made available to Professional Clients and Market Counterparties. The Product is made available in **United Kingdom** by Citigroup Global Markets Limited, which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. This material may relate to investments or services of a person outside of the UK or to other matters which are not authorised by the PRA nor regulated by the FCA and the PRA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in **United States** by Citigroup Global Markets Inc, which is a member of FINRA and registered with the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is authorised by the PRA and regulated by the FCA and the PRA.

Pursuant to Comissão de Valores Mobiliários Rule 483, Citi is required to disclose whether a Citi related company or business has a commercial relationship with the subject company. Considering that Citi operates multiple businesses in more than 100 countries around the world, it is likely that Citi has a commercial relationship with the subject company.

Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citi Research's Products can be found at https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures.

Compensation of equity research analysts is determined by equity research management and Citigroup's senior management and is not linked to specific transactions or recommendations.

The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted. Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product. Citi Research generally disseminates its research to the Firm's global institutional and retail clients via both proprietary (e.g., Citi Velocity and Citi Personal Wealth Management) and non-proprietary electronic distribution platforms. Certain research may be disseminated only via Citi's proprietary distribution platforms; however such research will not contain changes to earnings forecasts, target price, investment or risk rating or investment thesis or be otherwise

inconsistent with the author's previously published research. Certain research is made available only to institutional investors to satisfy regulatory requirements. Individual Citi Research analysts may also opt to circulate published research to one or more clients by email; such email distribution is discretionary and is done only after the research has been disseminated.
The level and types of services provided by Citi Research analysts to clients may vary depending on various factors such as the client's individual preferences as to the frequency and manner of receiving communications from analysts, the client's risk profile and investment focus and perspective (e.g. market-wide, sector specific, long term, short-term etc.), the size and scope of the overall client relationship with Citi and legal and regulatory constraints.
Citi Research product may source data from dataCentral. dataCentral is a Citi Research proprietary database, which includes Citi estimates, data from company reports and feeds from Thomson Reuters. The printed and printable version of the research report may not include all the information (e.g., certain financial summary information and comparable company data) that is linked to the online version available on Citi's proprietary electronic distribution platforms.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

23 March 2015
Americas/United States
Equity Research
Natural Gas

CREDIT SUISSE

NiSource Inc. (NI)

Rating	OUTPERFORM*
Price (20 Mar 15, US$)	43.98
Target price (US$)	50.00¹
52-week price range	45.00 - 34.74
Market cap. (US$ m)	13,907.00
Enterprise value (US$ m)	23,169.41

*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.
¹Target price is for 12 months.

Research Analysts

John Edwards, CFA
713 890 1594
john.edwards@credit-suisse.com

Abhiram Rajendran
212 538 9038
abhiram.rajendran@credit-suisse.com

Bhavesh Lodaya
212 325 2337
bhavesh.lodaya@credit-suisse.com

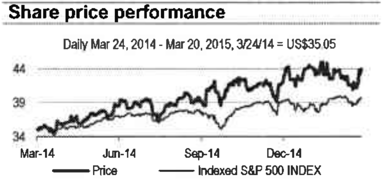
Dylan Nassano
212 325 8375
dylan.nassano@credit-suisse.com

FORECAST INCREASE

Updating Model for NCI

We have updated our net income and EPS calculation for NI to better account for CPPL's noncontrolling interest and distributions received from NI's 46.6% ownership of CPPL LP units. Our calculation of 2016, 2017 and 2018 EPS estimates of $1.84, $1.87 and $1.93 consolidates Columbia Pipeline Group's results at the segment level and backs out CPPL's estimated net income as noncontrolling interest. Please see Exhibit 1 for detailed estimates.

Share price performance



On 03/20/15 the S&P 500 INDEX closed at 2108.1

Quarterly EPS	Q1	Q2	Q3	Q4
2014A	—	—	—	—
2015E	0.79	0.26	0.20	0.58
2016E	0.86	0.24	0.17	0.60

Financial and valuation metrics

Year	12/14A	12/15E	12/16E	12/17E
EPS (CS adj.) (US$)	1.68	1.84	1.87	1.93
Prev. EPS (US$)	—	1.37	1.27	1.07
P/E (x)	26.2	23.9	23.5	22.8
P/E rel. (%)	145.4	135.4	150.2	164.2
Revenue (US$ m)	6,470.6	6,846.6	7,334.1	7,732.6
EBITDA (US$ m)	1,867.9	2,111.5	2,297.6	2,538.7
OCFPS (US$)	4.17	6.50	4.10	4.38
P/OCF (x)	10.2	6.8	10.7	10.0
EV/EBITDA (current)	12.8	11.0	10.0	9.0
Net debt (US$ m)	9,974	9,262	9,103	8,846
ROIC (%)	4.93	5.96	6.23	6.74

Number of shares (m)	316.21	IC (current, US$ m)	16,149.30
BV/share (Next Qtr., US$)	20.4	EV/IC (x)	1.5
Net debt (Next Qtr., US$ m)	9,966.9	Dividend (current, US$)	1.1
Net debt/tot eq (Next Qtr., %)	156.8	Dividend yield (%)	0.59

Source: Company data, Credit Suisse estimates.

Exhibit 1: CS Estimates

NISource Inc. (NYSE: NI)
Abbreviated Financial Statements

Credit Suisse - Master Limited Partnerships and Natural Gas
John Edwards, CFA, 713-890-1594

Year ending December 31
($ millions, except per share data)

Abbreviated Income Statement	2011	2012A	2013A	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E	2017E	2018E
Segment EBITDA												
Gas Distribution	608.6	639.9	648.0	754.6	364.8	129.2	67.5	276.9	838.4	937.5	1,029.5	1,101.4
NIPSCO Electric	414.9	487.3	509.9	527.1	141.7	141.6	160.4	131.9	575.6	592.7	607.5	622.6
Gas Transmission & Storage	490.3	497.0	548.3	609.3	170.6	155.5	171.1	177.1	674.3	744.2	878.5	1,020.9
Other	(32.0)	12.7	15.6	15.6	3.6	2.1	4.1	13.4	23.2	23.2	23.2	23.2
Total EBITDA (recurring)	1,481.8	1,636.9	1,721.8	1,906.6	680.7	428.3	403.2	599.3	2,111.5	2,297.6	2,538.7	2,768.1
Segment EBIT												
Gas Distribution	435.4	449.1	446.6	537.0	307.6	70.6	7.6	215.6	601.4	679.1	749.7	800.1
NIPSCO Electric	195.5	237.6	265.5	282.7	79.3	78.5	96.6	67.4	321.8	327.4	330.8	334.5
Gas Transmission & Storage	360.3	397.7	441.4	490.7	139.6	123.0	137.3	141.9	541.8	589.2	691.4	795.5
Other	(45.1)	(13.0)	(10.1)	(48.0)	(0.3)	(2.0)	(0.2)	8.9	6.3	3.9	2.2	0.8
Total EBIT (recurring)	946.1	1,071.4	1,143.4	1,262.4	526.1	270.1	241.3	433.8	1,471.3	1,599.6	1,774.1	1,930.9
Interest Expense	376.8	418.3	414.8	443.6	119.5	119.5	120.5	120.6	480.1	503.3	524.3	540.9
Other Expenses	7.4	(2.4)	(24.2)	(22.3)	0.0	(7.8)	(8.0)	(8.1)	(23.9)	(38.8)	(60.7)	(92.8)
Earnings Before Taxes	**561.9**	**655.5**	**752.8**	**841.1**	**406.5**	**158.5**	**128.8**	**321.3**	**1,015.1**	**1,135.1**	**1,310.5**	**1,482.8**
Taxes	199.4	228.3	261.9	310.4	144.3	56.3	45.7	114.1	360.4	408.6	471.8	533.8
Noncontrolling interest					10.4	18.3	20.2	21.2	70.1	127.1	220.8	315.4
Recurring Net Income	**362.5**	**427.2**	**490.9**	**530.7**	**262.2**	**102.2**	**83.1**	**207.2**	**654.7**	**726.5**	**838.7**	**949.0**
Recurring EPS												
Basic	$1.29	$1.46	$1.57	$1.58	$0.80	$0.26	$0.20	$0.59	$1.84	$1.88	$1.93	$1.98
YoY %Change	*5.9%*	*13.2%*	*7.4%*	*7.2%*					*9.5%*	*1.9%*	*2.9%*	*2.5%*
Weighted Average Shares Outstanding												
Basic	280.4	291.9	312.4	315.1	316.4	316.9	317.3	317.8	317.1	319.0	319.8	319.8
Diluted	288.5	299.7	313.6	316.6	317.6	318.1	318.5	319.0	318.3	320.2	321.0	321.0
Dividend/Share	$0.92	$0.95	$0.99	$1.03	$0.26	$0.28	$0.28	$0.28	$1.09	$1.15	$1.21	$1.27

Source: Company data, Credit Suisse estimates

23 March 2015

CREDIT SUISSE

Companies Mentioned *(Price as of 20-Mar-2015)*

Columbia Pipeline Partners, LP (CPPL.N, $28.2, OUTPERFORM[V], TP $34.0)
NiSource Inc. (NI.N, $43.98, OUTPERFORM, TP $50.0)

Disclosure Appendix

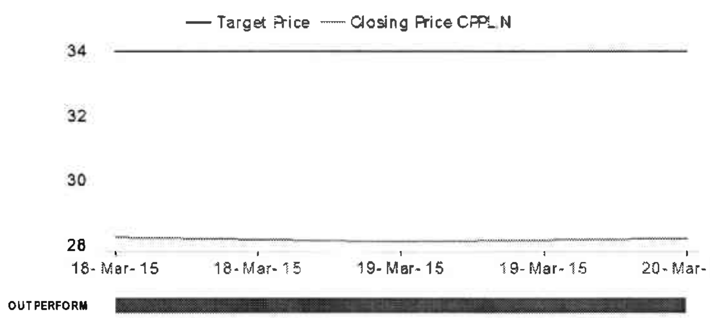
Important Global Disclosures

John Edwards, CFA, Bhavesh Lodaya and Abhiram Rajendran each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Columbia Pipeline Partners, LP (CPPL.N)

CPPL.N Date	Closing Price (US$)	Target Price (US$)	Rating
18-Mar-15	28.24	34.00	O *

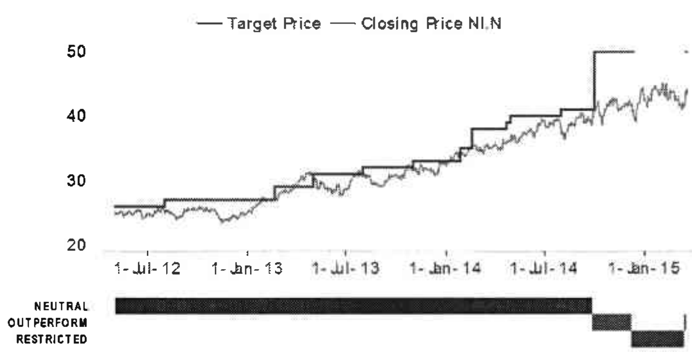
** Asterisk signifies initiation or assumption of coverage.*



3-Year Price and Rating History for NiSource Inc. (NI.N)

NI.N Date	Closing Price (US$)	Target Price (US$)	Rating
02-May-12	25.04	26.00	N *
01-Aug-12	25.38	27.00	
20-Feb-13	27.04	29.00	
01-May-13	30.61	31.00	
01-Aug-13	31.11	32.00	
01-Nov-13	31.72	33.00	
28-Jan-14	34.18	35.00	
19-Feb-14	35.40	38.00	
21-Apr-14	35.71	39.00	
30-Apr-14	36.32	40.00	
31-Jul-14	37.68	41.00	
30-Sep-14	40.98	50.00	O
11-Dec-14	40.79		R
18-Mar-15	43.77	50.00	O

** Asterisk signifies initiation or assumption of coverage.*



The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

As of December 10, 2012 Analysts' stock rating are defined as follows:

Outperform (O) : The stock's total return is expected to outperform the relevant benchmark*over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

**Relevant benchmark by region: As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. As of 2nd October 2012, U.S. and Canadian as well as European ratings are based on a stock's total return relative to the analyst's coverage universe which consists of all companies covered by the analyst within the relevant sector, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. For Latin American and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional benchmark; prior to 2nd October 2012 U.S. and Canadian* *ratings were based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. For Australian and New Zealand stocks, 12-month rolling yield is incorporated in the absolute total return calculation and a 15% and a 7.5% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively. The 15% and 7.5% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively. Prior to 10th December 2012, Japanese ratings were based on a stock's total return relative to the average total return of the relevant country or regional benchmark.*

Restricted (R) : In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

Volatility Indicator [V] : A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' sector weightings are distinct from analysts' stock ratings and are based on the analyst's expectations for the fundamentals and/or valuation of the sector* relative to the group's historic fundamentals and/or valuation:

Overweight : The analyst's expectation for the sector's fundamentals and/or valuation is favorable over the next 12 months.

Market Weight : The analyst's expectation for the sector's fundamentals and/or valuation is neutral over the next 12 months.

Underweight : The analyst's expectation for the sector's fundamentals and/or valuation is cautious over the next 12 months.

**An analyst's coverage sector consists of all companies covered by the analyst within the relevant sector. An analyst may cover multiple sectors.*

Credit Suisse's distribution of stock ratings (and banking clients) is:

Global Ratings Distribution

Rating	Versus universe (%)	Of which banking clients (%)
Outperform/Buy*	44%	(53% banking clients)
Neutral/Hold*	38%	(49% banking clients)
Underperform/Sell*	15%	(44% banking clients)
Restricted	3%	

**For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.*

Credit Suisse's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated herein.

Credit Suisse's policy is only to publish investment research that is impartial, independent, clear, fair and not misleading. For more detail please refer to Credit Suisse's Policies for Managing Conflicts of Interest in connection with Investment Research: http://www.csfb.com/research-and-analytics/disclaimer/managing_conflicts_disclaimer.html

Credit Suisse does not provide any tax advice. Any statement herein regarding any US federal tax is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding any penalties.

Price Target: (12 months) for NiSource Inc. (NI.N)

Method: Our $50 target price for NI is based on our sum of the parts analysis utilizing an 10x EV/EBITDA multple on NI's Gas Distribution business, a 9x multiple on NI's Electric Operations business and a 10x multiple on the 73% of Columbia OpCo EBITDA not attributable to CPPL. Further, we value NI's 46.5% LP ownership and GP IDR's by discounting distributions in our 3-stage DDM.

Risk: Risks to our $50 target price mostly reside at the CPPL level, including execution risk by CPPL and lower distribution growth than we are currently modeling. The regulatory environment is benign commodity risk for Columbia Pipeline Group is limited due to long term fee-based contracts.

Price Target: (12 months) for Columbia Pipeline Partners, LP (CPPL.N)

Method: Our $34 target price is based on a three-stage distribution discount model (DDM) that assumes a discount rate of 9.0% and a distribution CAGR of 24.1% over the first five years, 6.0% over the following five years, and a terminal growth rate of 2%.

Risk: Risks to our $34 TP include: Execution Risk: Growth at the OpCo level is dependent on successful completion of CPG's backlog of growth projects. Inability to complete the the projects on time and within budget would adversely impact our projections for CPPL. Given the difficult commodity price environment, the most likely risk to project execution would be a scenario where customers attempt to renegotiate rate commitments or pull out of binding precedent agreements altogether. Capital Market Risk: As CPPL intends to issue large amounts of equity to finance its purchase of additional ownership interests / OpCo investments, a downturn in equity markets would adversely affect CPPL's ability to raise capital, or would force CPPL to issue more units at lower prices which would dilute unitholders. Interest rates are expected to rise in the coming year, and though CPPL has a relatively conservative balance sheet, any increase in rates would increase its cost of debt. Tax Treatment of MLPs: CPPL's ability to pay distributions may be hindered should the tax treatment of

MLPs be changed. Although the discussion of taxing MLPs arises from time to time, we view such an event as a low probability. Regulatory, Environmental and Legal Risk: Columbia Gas and Columbia Gulf are FERC regulated natural gas transportation systems. Expansions to systems will likely require FERC and other regulatory agencies prior to commencing construction which could delay projects and costs could be higher to comply with regulations.

Please refer to the firm's disclosure website at https://rave.credit-suisse.com/disclosures for the definitions of abbreviations typically used in the target price method and risk sections.

See the Companies Mentioned section for full company names

The subject company (NI.N, CPPL.N) currently is, or was during the 12-month period preceding the date of distribution of this report, a client of Credit Suisse.

Credit Suisse provided investment banking services to the subject company (NI.N, CPPL.N) within the past 12 months.

Credit Suisse has managed or co-managed a public offering of securities for the subject company (NI.N, CPPL.N) within the past 12 months.

Credit Suisse has received investment banking related compensation from the subject company (NI.N, CPPL.N) within the past 12 months

Credit Suisse expects to receive or intends to seek investment banking related compensation from the subject company (NI.N, CPPL.N) within the next 3 months.

Important Regional Disclosures

Singapore recipients should contact Credit Suisse AG, Singapore Branch for any matters arising from this research report.

The analyst(s) involved in the preparation of this report have not visited the material operations of the subject company (NI.N, CPPL.N) within the past 12 months

Restrictions on certain Canadian securities are indicated by the following abbreviations: NVS--Non-Voting shares; RVS--Restricted Voting Shares; SVS--Subordinate Voting Shares.

Individuals receiving this report from a Canadian investment dealer that is not affiliated with Credit Suisse should be advised that this report may not contain regulatory disclosures the non-affiliated Canadian investment dealer would be required to make if this were its own report.

For Credit Suisse Securities (Canada), Inc.'s policies and procedures regarding the dissemination of equity research, please visit http://www.csfb.com/legal_terms/canada_research_policy.shtml.

Credit Suisse has acted as lead manager or syndicate member in a public offering of securities for the subject company (NI.N, CPPL.N) within the past 3 years.

As of the date of this report, Credit Suisse acts as a market maker or liquidity provider in the equities securities that are the subject of this report.

Principal is not guaranteed in the case of equities because equity prices are variable.

Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that.

For Credit Suisse disclosure information on other companies mentioned in this report, please visit the website at https://rave.credit-suisse.com/disclosures or call +1 (877) 291-2683.

CREDIT SUISSE

23 March 2015

Investment principal on bonds can be eroded depending on sale price or market price. In addition, there are bonds on which investment principal can be eroded due to changes in redemption amounts. Care is required when investing in such instruments.

When you purchase non-listed Japanese fixed income securities (Japanese government bonds, Japanese municipal bonds, Japanese government guaranteed bonds, Japanese corporate bonds) from CS as a seller, you will be requested to pay the purchase price only.

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

NiSource plans to invest $30 billion in infrastructure improvements over the next 20 years

Charles Fishman, CFA
Equity Analyst
charles.fishman@morningstar.com
312-696-6523

The primary analyst covering this company does not own its stock.

Research as of 18 Dec 2015
Estimates as of 18 Dec 2015
Pricing data as of 18 Dec 2015 10:00
Rating updated as of 18 Dec 2015 10:01

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

Contents

Investment Thesis 18 Dec 2015

On July 1, 2015, NiSource completed its tax-free separation from Columbia Pipeline Group, or CPG, and now derives all of its operating revenue from its regulated utilities. We believe this move demonstrated good stewardship of shareholder capital, as the market provided higher valuation to the individual businesses than the combined entity at the time of the separation.

During the past several years, NiSource's regulated electric and natural gas distribution utilities have received favorable regulatory decisions. The utilities now have automatic rate tracker mechanisms for about 75% of its planned capital expenditures. As a result of the favorable regulatory frameworks in seven different states, NiSource has significantly increased its capital expenditures.

NiSource's legacy regulated utility businesses plan to invest about $30 billion in infrastructure improvements during the next 20-plus years. About two thirds of this investment represents modernization of its natural gas distribution utilities. The rate base growth from these investments should allow NiSource to increase earnings by approximately 7% per year in the near term after adjusting for the lost earnings contribution from the CPG.

The dividend was reduced to $0.62 per share annualized after the separation and beginning with the 2015 third quarter. We believe NiSource will be able to increase this dividend approximately 5% per year during at least the next five years.

Vital Statistics

Market Cap (USD Mil)	6,144
52-Week High (USD)	20.12
52-Week Low (USD)	15.38
52-Week Total Return %	27.0
YTD Total Return %	20.6
Last Fiscal Year End	31 Dec 2014
5-Yr Forward Revenue CAGR %	-0.2
5-Yr Forward EPS CAGR %	-2.2
Price/Fair Value	1.21

Valuation Summary and Forecasts

Fiscal Year:	2013	2014	2015(E)	2016(E)
Price/Earnings	8.2	9.9	21.0	18.4
EV/EBITDA	7.3	8.2	9.5	8.9
EV/EBIT	11.1	12.2	16.1	15.0
Free Cash Flow Yield %	-11.2	-13.4	-58.2	9.4
Dividend Yield %	7.6	6.1	4.4	3.4

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2013	2014	2015(E)	2016(E)
Revenue	5,657	6,471	5,205	5,423
Revenue YoY %	11.8	14.4	-19.6	4.2
EBIT	1,126	1,231	796	852
EBIT YoY %	8.4	9.3	-35.4	7.1
Net Income, Adjusted	494	534	296	340
Net Income YoY %	13.0	8.1	-44.6	15.1
Diluted EPS	1.58	1.69	0.92	1.05
Diluted EPS YoY %	8.3	7.0	-45.5	14.4
Free Cash Flow	-379	-602	3,494	-124
Free Cash Flow YoY %	-637.2	58.7	-680.3	-103.5

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

NiSource is one of the nation's largest natural gas distribution companies with 3.4 million customers in Indiana, Kentucky, Maryland, Massachusetts, Ohio, Pennsylvania, and Virginia. NiSource's electric utility transmits and distributes electricity in northern Indiana to about 500,000 customers. The regulated electric utility also owns more than 3,000 MW of generation capacity, most of which is coal-fired. In 2014, the company generated 77% of the electricity it sold to customers.

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analysis

Valuation, Growth and Profitability 18 Dec 2015
We are increasing our fair value estimate to $18 per share from $16 per share after updating our forecasts to reflect the stand-alone third-quarter filings. Our fair value estimate also benefited from time-value appreciation.

NiSource's infrastructure investment program at its electric utility is the primary driver of our 8.2% annual operating earnings growth estimate during the next several years, slightly above the mid-point of management's 7%-9% guidance range. With the recent passage of SB 560 and Indiana Commission approval of the electric utility's seven-year modernization plan, we expect infrastructure improvements to accelerate and push annual rate base growth to 8% in the near term.

NiSource's gas distribution utilities have ongoing modernization programs for replacing steel pipe with plastic. SB 560 and the modernization program in the six other states have rate tracker mechanisms allowing for timely recovery of these investments. These rate tracker mechanisms provide for timely recovery (on average about a one-year regulatory lag) of approximately 75% of NiSource's capital expenditures. We estimate that NiSource's planned $6.9 billion of capital investment during the next five years and the favorable regulatory frameworks will push average annual earnings growth above 6% for NiSource's regulated gas distribution utilities.

We use a 5.8% cost of capital in our discounted cash flow model, which incorporates a 7.5% cost of equity. This is lower than the 9% rate of return we expect investors will demand of a diversified equity portfolio. We believe our cost of equity reflects the risk associated with regulated electric and natural gas distribution utilities operating in states that have average to above average regulatory frameworks.

Our pretax cost of debt assumption is 5.8%, as we incorporate a normalized long-term real rate environment and normalized credit spreads. A 2.25% long-term inflation outlook underpins our capital cost assumptions.

Our fair value estimate for NiSource shares represents a multiple on 2016 earnings of 17 times, in line with the P/E multiple of our regulated utilities peer group in mid-December 2015.

Scenario Analysis
Our uncertainty rating on the shares of NiSource is low.

If we assume capital expenditures are 25% less than our estimate during the next five years, then our annual EPS growth would decline to about 3% and our fair value estimate would decrease approximately $2 per share. We believe it is unlikely that capital expenditures will materially exceed our estimate.

A 50-basis-point change in our cost of equity assumption changes our fair value estimate by $2 per share.

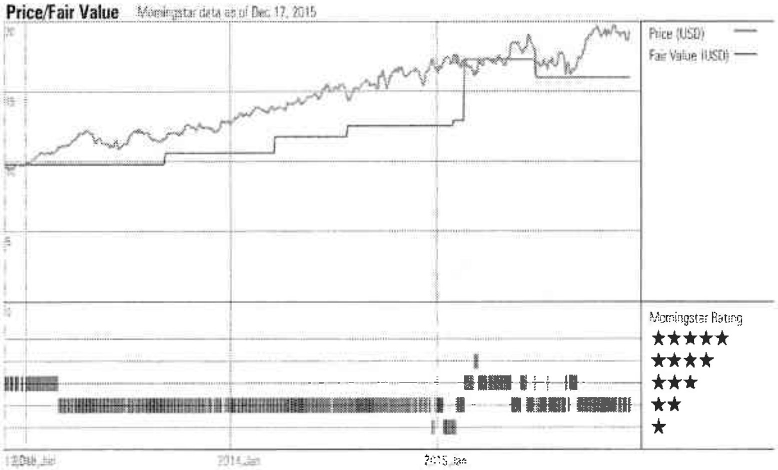
Economic Moat
We assign a narrow moat to NiSource, as all of its operating earnings are derived from regulated utility operations. NiSource's regulated utilities own difficult-to-replicate networks of electricity and natural gas distribution assets that provide essential utility services to customers. Electricity generation in Indiana is also regulated, and the rates for this service are combined with regulated customer rates for transmission and distribution service. In exchange for its monopoly position, state and federal regulators set NiSource's utility rates.

For natural gas distribution service, regulators set distribution rates and also the commodity price for customers purchasing natural gas from NiSource. NiSource recovers its costs for natural gas that it sells to customers with a pass-through charge to customers. Thus, NiSource has no commodity price risk. Customers may elect to

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Price/Fair Value Morningstar data as of Dec 17, 2015



purchase natural gas from independent retail energy suppliers and use and pay for distribution services only. NiSource exited the no-moat retail energy supply business in 2010.

For the most part, regulators have recognized the need for NiSource's shareholders to earn an adequate return on their investment. In exchange for earning a fair return for its shareholders, NiSource's utilities are expected to provide safe and reliable service at the lowest possible costs. This implicit contract between the regulators and the utilities should, in the long run, allow NiSource to earn at least its cost of capital, which leads us to assign a narrow economic moat to its regulated operations.

Moat Trend

We believe NiSource's moat trend is stable. We do not foresee a long-term change to the firm's business as a monopoly provider of natural gas and electricity, nor do we see changes to its compact with regulators. All operating earnings are from FERC-regulated electric transmission and state-regulated natural gas and electric utilities. We think it is unlikely that the FERC or the state regulatory frameworks will change. As with almost all regulated utilities, we believe regulatory caps on revenue and returns preclude NiSource from establishing a wide economic moat.

MORNINGSTAR

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Bulls Say/Bears Say

Bulls Say

- We expect NiSource's annual dividend growth for its legacy utility business to average approximately 5% during the next five years.
- We believe the separation of the Columbia Pipeline Group from NiSource was good shareholder stewardship as the market valued the individual businesses with a higher valuation at the time of the separation.
- New legislation has improved the regulatory framework in Indiana for NiSource's electric and natural gas distribution utilities.

Bears Say

- Industrial customers account for almost half of NiSource's electric load served, higher than most utilities. Industrial sales are more sensitive to the economy than residential and commercial sales.
- Although NiSource reports weather-normalized operating earnings, mild weather negatively affects GAAP earnings and cash flow.
- The CEO and CFO of NiSource went with the Columbia Pipeline Group following the separation. Although NiSource's new top executives have considerable utility experience, they are in new positions.

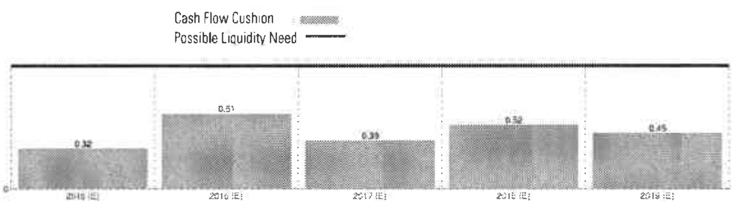
NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Five Year Adjusted Cash Flow Forecast (USD Mil)

	2015(E)	2016(E)	2017(E)	2018(E)	2019(E)
Cash and Equivalents (beginning of period)	50	19	106	160	215
Adjusted Available Cash Flow	254	342	326	343	326
Total Cash Available before Debt Service	304	361	432	503	540
Principal Payments	-542	-266	-755	-598	-809
Interest Payments	-392	-329	-353	-377	-394
Other Cash Obligations and Commitments	—	—	—	—	—
Total Cash Obligations and Commitments	-934	-595	-1,108	-975	-1,203

Cumulative Annual Cash Flow Cushion



Adjusted Cash Flow Summary

	USD Millions	% of Commitments
Beginning Cash Balance	50	1.0
Sum of 5-Year Adjusted Free Cash Flow	1,590	33.0
Sum of Cash and 5-Year Cash Generation	1,640	34.1
Revolver Availability	1,500	31.2
Asset Adjusted Borrowings (Repayment)	—	—
Sum of Cash, 5-Year Cash Generation, Revolver and Adjustments	3,140	65.2
Sum of 5-Year Cash Commitments	-4,814	—

Financial Health

We believe the ongoing dividend reinvestment program is likely to provide sufficient equity during the next five years to retain a strong balance sheet for the legacy utility business following the separation of the Columbia Pipeline Group.

In late 2014, management indicated they now plan to invest $30 billion during the next 20-plus years. This plan is consistent with our estimate of approximately $1.3 billion to $1.5 billion per year during the next five years. The majority of investment opportunities at its utilities are infrastructure improvements or environmental projects with rate tracker mechanisms. These investments have a high level of certainty of recovery in rates and, in many cases, at preapproved returns. Therefore, the higher level of capital expenditures are not a concern.

NiSource began increasing its dividend in 2012, the first increase in 10 years following a dividend cut in 2003 to strengthen its balance sheet after the Columbia Energy Group acquisition. NiSource reduced its common dividend to $0.62 per share annualized following the Columbia Pipeline Group separation on July 1, 2015. Management expects the company to continue 4%-6% long-term annual dividend growth following the separation, consistent with our 5% dividend growth assumption.

Enterprise Risk

Regulatory risk remains the key uncertainty, as the majority of operating earnings are from businesses that are state- or FERC-regulated. That said, NiSource's regulatory exposure is diversified due to operations in seven states and its federal-regulated electric transmission system. NiSource has reduced some of the regulatory uncertainty related to its planned natural gas distribution and electric utilities investments by securing preapprovals and favorable rate mechanisms.In early 2011, NiSource reached a

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

settlement agreement with the U.S. Environmental Protection Agency that requires about $850 million of capital improvements to air pollution control systems at three coal-fired power plants. NiSource expects to complete the improvements by 2018. Although this provides some certainty that the plants will continue to operate, environmental rules could become stricter, requiring additional capital investment or added operating cost that may have uncertain cost recovery in regulated rates. This is a risk facing all power plants, especially coal-fired ones.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
ROBERT C. SKAGGS,JR	Director	766,381	24 Mar 2015	—
JOSEPH HAMROCK	Director/President/CEO	356,702	13 Jul 2015	—
STEPHEN P. SMITH		305,798	18 Feb 2015	—
JIMMIE L. STANLEY	CEO, Subsidiary/Executive VP, Subsidiary/COO	273,939	13 Jul 2015	—
MS. VIOLET G. SISTOVARIS	Senior VP/Chief Information Officer	187,592	13 Jul 2015	—
CARRIE J. HIGHTMAN	Executive VP/Other Executive Officer	175,963	18 Feb 2015	—
GLEN L. KETTERING		131,940	18 Feb 2015	—
W. LEE NUTTER	Director	129,628	12 May 2015	—

*Represents the date on which the owner's name, position, and common shares held were reported by the holder or issuer.

Fund Ownership

Top Owners	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
T. Rowe Price Equity Income Fund	3.42	0.88	10,907	30 Sep 2015
Vanguard Mid-Cap Index Fund	2.09	0.19	99	30 Nov 2015
Pictet Global Sel Glbl Utilities Eq P	2.23	1.41	-1,849	31 Dec 2014
Deutsche Global Infrastructure Fund	1.91	2.43	—	31 Oct 2015
Vanguard Total Stock Mkt Idx	1.78	0.03	18	30 Nov 2015
Concentrated Holders				
Tortoise Pipeline & Energy	0.55	7.80	—	31 May 2015
EIC Energy Utility Fund	0.06	4.81	20	30 Nov 2015
First Trust Utilities AlphaDEX® Fund	0.11	4.41	-3	17 Dec 2015
DIAM Shale Equity Fund	0.02	4.41	-2	12 Jun 2015
FT AlphaDEX US Utilities Sector ETF	—	4.27	—	30 Nov 2015

Institutional Transactions

Top 5 Buyers	% of Shares Held	% of Fund Assets	Shares Bought/ Sold (k)	Portfolio Date
Vanguard Group Inc	7.85	0.03	26,584	30 Sep 2015
T. Rowe Price Associates, Inc.	9.31	0.12	13,996	30 Sep 2015
State Street Corp	4.00	0.03	13,551	30 Sep 2015
BlackRock Fund Advisors	2.54	0.02	8,613	30 Sep 2015
Fidelity Management and Research Company	1.97	0.02	6,680	30 Sep 2015
Top 5 Sellers				
Cramer Rosenthal McGlynn, LLC	0.42	0.33	-1,973	30 Sep 2015
Credit Suisse First Boston (CSFB)	0.20	0.01	-922	30 Sep 2015
Enhanced Investment Technologies Inc	0.76	0.12	-533	30 Sep 2015
James Investment Research, Inc.	0.02	0.03	-382	30 Sep 2015
Principal Life Insurance Co	0.22	0.01	-365	31 Dec 2014

Management 01 Jan 0001

We assign NiSource a Standard stewardship rating. The formation of an MLP and the tax-free separation of CPG exhibited exemplary stewardship of shareholder capital, in our opinion. However, the CEO and CFO that drove those decisions left NiSource to go with CPG.

Joe Hamrock became CEO following the separation. He has been with NiSource since 2012 running the natural gas distribution business. Previously he was with American Electric Power. CFO Donald Brown joined NiSource in April. Previously he was with UGI Utilities and Constellation Energy. Thus, these individuals have significant utility experience, but are new to their jobs.

Except for the addition of Hamrock, the members of NiSource's board of directors were involved in the separation of CPG and oversight of investment decisions. This provides confidence that there will be continued good stewardship of shareholder capital.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Analyst Notes

NiSource Management Meeting: Low Regulatory Risk from Pipeline Modernization or CPP 08 Nov 2015

We are reaffirming our narrow moat and stable moat trend ratings and $16 per share fair value estimate after meeting with senior management at the Edison Electric Institute Financial Conference in Hollywood, Florida. As we expected, management's focus is on executing a capital spending plan that we estimate will be between $1.3 billion-$1.5 billion annually during the next five years.

During our meeting, we discussed NiSource's ability to make these investments without significantly impacting customer rates. Low natural gas prices are allowing a modernization program of NiSource's natural gas distribution utilities while keeping rates low. We believe there is low risk of the projected $900 million-$1 billion of capital expenditure, the majority addressing pipeline safety, not being treated fairly by regulators in the seven states NiSource has operations.

We also learned during our meeting that achieving the carbon dioxide reductions likely required by the Clean Power Plan can also be made economically. NiSource management pointed out that retirement of two coal-fired units at the Bailey Generating Station, part of the 2014 Integrated Resource Plan, could be counted toward the EPA's Clean Power Plan. In addition, the 535 megawatt Sugar Creek natural gas-fired combined cycle plant can be operated at higher utilization rates to make up for the reduction in coal-fired power generation. Sugar Creek produces roughly half of the carbon per megawatt-hour of electricity generated at Bailly.

We believe the investments NiSource plans to make during the next five-plus years for pipeline safety, and to meet carbon reductions, can be achieved without significant rate increases and relatively low risk of regulatory push-back resulting from public opposition. Thus, in our opinion, there is a high probability that management can achieve the targeted annual EPS and dividend growth of 4%-6% during the next five years.

NiSource Reaffirms 2016 Guidance; Everything on Track After Separation From Columbia Pipeline Group 03 Nov 2015

We are reaffirming our narrow moat and stable moat trend ratings and $16 per share fair value estimate after NiSource reported solid third-quarter operating earnings and reaffirmed its 2016 earnings guidance of $1.00-$1.10 per share. This was the first quarterly report in which NiSource and its 100% regulated utility businesses were separated from Columbia Pipeline Group.

Management indicated that it was on track with its $1.3 billion utility infrastructure investment plan for 2015 and reiterated its plan to invest $1.4 billion in 2016. Management also reiterated its long-term annual earnings and dividend growth outlook of 4%-6%. Our 2016 EPS estimate of $1.06 is unchanged.

NiSource reported 2015 third-quarter operating earnings of $0.06 per share versus a loss of $0.03 per share in the same period last year. Operating earnings benefited from the implementation of rates under Columbia Gas of Ohio's infrastructure replacement program and rate increases at Columbia Gas of Virginia and Columbia Gas of Pennsylvania. Electric net revenue, excluding the impact of trackers, decreased by almost $1 million year over year, but operating expenses decreased by $12 million due to lower employee and administrative expenses.

Overall, there appear to be no glitches after the separation from CPG on July 1, and we expect regular dividend increases of about 5% annually commencing in 2016.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Analyst Notes

NiSource Reaffirms 2016 Guidance Following Separation From Columbia Pipeline Group 04 Aug 2015

We are reaffirming our narrow moat and stable moat trend ratings and $16 per share fair value estimate after NiSource reaffirmed its 2016 EPS guidance of $1.00-$1.10 in its first earnings release following the separation of Columbia Pipeline Group. Our 2016 EPS estimate of $1.06 is unchanged. Management also reiterated its long-term annual earnings and dividend growth outlook of 4%-6%.

NiSource reported 2015 second-quarter operating earnings of $0.18 per share versus $0.25 per share in the same period last year. Second-quarter results include CPG, which completed its separation from NiSource on July 1. Operating earnings for the recently ended quarter were lower primarily due to additional interest expense related to CPG's debt issuance prior to its separation and the impact of non-controlling interest from Columbia Pipeline Partners due to its IPO in February. Therefore, consolidated results for the quarter are not indicative of results for NiSource without CPG going forward.

Management discussed two new regulatory items during the earnings call. First, a settlement is expected to be filed later this month in the Columbia Gas of Massachusetts base rate case. The revenue request was for $49 million, but management declined to provide details of the settlement until it had been filed with the Massachusetts regulatory commission. Second, NIPSCO expects to file a electric base rate case in Indiana in the fourth quarter, somewhat earlier than we had expected. The settlement and earlier Indiana filing do not have a material impact on our fair value estimate.

Lowering NiSource's Fair Value Estimate Following Separation of Columbia Pipeline Group 01 Jul 2015

We are reducing our fair value estimate to $16 per share from $44 per share following the separation of the Columbia Pipeline Group from NiSource on July 1. Shareholders of record on June 19 will receive a separation dividend of one share of CPG stock for every share of NiSource. CPG shares will begin trading on the NYSE on July 2 under the symbol CPGX.

NiSource is expected to reduce its annual dividend to $0.62 per share from its current level of $1.04 per share beginning with the 2015 third-quarter dividend. However, when combined with the CPG expected dividend of $0.50 per share, NiSource shareholders that retain their CPG shares will experience about an 8% increase in the combined dividend.

Following the separation, NiSource will be a 100% regulated electric and natural gas utility with a low risk profile. NiSource has good to excellent regulatory frameworks in all of its jurisdictions. Therefore, we have a high level of confidence in the company receiving favorable regulatory outcomes for its planned $30 billion of investments during the next 20-plus years. That said, we note that both the CEO and CFO of NiSource left with CPG following the separation. Although the executives now filling these positions have significant utility experience, they are new to these roles. This creates some execution risk, in our opinion.

NiSource Inc NI [NYSE] | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2012	2013	2014	2015 (Forecast)	2016 (Forecast)	5-Year Proj. CAGR
Revenue	2.4	-15.9	11.8	14.4	-19.6	4.2	-0.2
EBIT	10.1	12.7	8.4	9.3	-35.4	7.1	-0.9
EBITDA	7.9	9.6	6.4	7.8	-26.9	6.7	0.2
Net Income	11.1	12.4	13.0	8.1	-44.6	15.1	-0.9
Diluted EPS	7.7	7.9	8.3	7.0	-45.5	14.4	-2.2
Earnings Before Interest, after Tax	2.2	4.1	-1.0	3.6	-275.2	-149.4	-2.4
Free Cash Flow	-434.6	339.3	-637.2	58.7	-680.3	-103.5	—

Profitability	3-Year Hist. Avg	2012	2013	2014	2015	2016	5-Year Proj. Avg
Operating Margin %	19.8	20.5	19.9	19.0	15.3	15.7	16.6
EBITDA Margin %	30.0	31.6	30.1	28.4	25.8	26.4	27.2
Net Margin %	8.5	8.6	8.7	8.3	5.7	6.3	6.7
Free Cash Flow Margin %	-4.9	1.4	-6.7	-9.3	67.1	-2.3	14.1
ROIC %	5.8	5.8	5.7	5.8	5.2	6.3	5.8
Adjusted ROIC %	7.1	7.4	7.1	6.8	5.8	7.1	6.6
Return on Assets %	2.2	2.0	2.4	2.2	-11.6	1.9	-0.7
Return on Equity %	8.7	7.9	9.3	8.8	-48.9	8.8	-1.9

Leverage	3-Year Hist. Avg	2012	2013	2014	2015	2016	5-Year Proj. Avg
Debt/Capital	0.60	0.59	0.60	0.62	0.64	0.65	0.65
Total Debt/EBITDA	5.23	5.06	5.19	5.45	4.99	5.09	4.87
EBITDA/Interest Expense	4.02	3.83	4.11	4.14	3.42	4.36	4.26

Valuation Summary and Forecasts

	2013	2014	2015(E)	2016(E)
Price/Fair Value	1.22	1.33	—	—
Price/Earnings	8.2	9.9	21.0	18.4
EV/EBITDA	7.3	8.2	9.5	8.9
EV/EBIT	11.1	12.2	16.1	15.0
Free Cash Flow Yield %	-11.2	-13.4	-58.2	9.4
Dividend Yield %	7.6	6.1	4.4	3.4

Key Valuation Drivers

Cost of Equity %	7.5
Pre-Tax Cost of Debt %	5.8
Weighted Average Cost of Capital %	5.8
Long-Run Tax Rate %	34.8
Stage II EBI Growth Rate %	3.0
Stage II Investment Rate %	51.7
Perpetuity Year	15

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	3,464	22.0	10.20
Present Value Stage II	2,906	18.5	8.56
Present Value Stage III	9,357	59.5	27.56
Total Firm Value	**15,728**	**100.0**	**46.32**
Cash and Equivalents	79	—	0.23
Debt	-9,999	—	-29.45
Preferred Stock	—	—	—
Other Adjustments	291	—	0.86
Equity Value	**6,098**	—	**17.96**
Projected Diluted Shares	340		
Fair Value per Share (USD)	—		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

NiSource Inc NI [NYSE] ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Income Statement (USD Mil)
Fiscal Year Ends in December

	2012	2013	2014	*Forecast* 2015	*Forecast* 2016
Revenue	**5,061**	**5,657**	**6,471**	***5,205***	***5,423***
Cost of Goods Sold	1,542	1,816	2,224	*2,216*	*2,299*
Gross Profit	**3,520**	**3,842**	**4,246**	***2,989***	***3,124***
Selling, General & Administrative Expenses	1,663	1,874	2,136	*1,416*	*1,459*
Other Operating Expense (Income)	288	301	320	*245*	*253*
Other Operating Expense (Income)	-32	-36	-47	*-5*	*-10*
Depreciation & Amortization (if reported separately)	562	577	606	*536*	*570*
Operating Income (ex charges)	**1,039**	**1,126**	**1,231**	***796***	***852***
Restructuring & Other Cash Charges	-4	-18	-32	—	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	—	—	—	—	—
Operating Income (incl charges)	**1,043**	**1,143**	**1,262**	***796***	***852***
Interest Expense	418	415	444	*392*	*329*
Interest Income	2	24	22	—	—
Pre-Tax Income	**626**	**753**	**841**	***403***	***523***
Income Tax Expense	216	262	310	*138*	*183*
Other After-Tax Cash Gains (Losses)	6	6	-1	*-2,700*	—
Other After-Tax Non-Cash Gains (Losses)	—	35	—	—	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**416**	**532**	**530**	***-2,434***	***340***
Weighted Average Diluted Shares Outstanding	300	314	317	*322*	*324*
Diluted Earnings Per Share	**1.39**	**1.70**	**1.67**	***-7.57***	***1.05***
Adjusted Net Income	437	494	534	*296*	*340*
Diluted Earnings Per Share (Adjusted)	**1.46**	**1.58**	**1.69**	***0.92***	***1.05***
Dividends Per Common Share	0.94	0.98	1.02	*0.83*	*0.64*
EBITDA	**1,605**	**1,721**	**1,868**	***1,343***	***1,433***
Adjusted EBITDA	**1,601**	**1,703**	**1,836**	***1,343***	***1,433***

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)
Fiscal Year Ends in December

	2012	2013	2014	Forecast 2015	2016
Cash and Equivalents	83	35	50	*19*	*106*
Investments	—	—	—	—	—
Accounts Receivable	907	1,006	921	*856*	*891*
Inventory	496	500	586	*607*	*630*
Deferred Tax Assets (Current)	—	—	214	—	—
Other Short Term Assets	866	618	696	*500*	*725*
Current Assets	**2,352**	**2,159**	**2,467**	***1,982***	***2,352***
Net Property Plant, and Equipment	12,916	14,365	11,057	*11,804*	*12,593*
Goodwill	3,677	3,666	1,691	*1,691*	*1,691*
Other Intangibles	287	276	265	*254*	*243*
Deferred Tax Assets (Long-Term)	—	—	—	—	—
Other Long-Term Operating Assets	2,024	1,522	9,091	*1,000*	*1,550*
Long-Term Non-Operating Assets	588	666	297	*297*	*297*
Total Assets	**21,845**	**22,654**	**24,866**	***17,027***	***18,725***
Accounts Payable	539	619	610	*608*	*631*
Short-Term Debt	1,284	1,241	1,844	*500*	*500*
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	1,479	1,319	1,511	*500*	*1,400*
Current Liabilities	**3,302**	**3,178**	**3,964**	***1,608***	***2,531***
Long-Term Debt	6,819	7,593	8,156	*6,200*	*6,800*
Deferred Tax Liabilities (Long-Term)	2,953	3,278	2,380	*2,500*	*2,840*
Other Long-Term Operating Liabilities	1,593	1,687	2,996	*1,750*	*1,421*
Long-Term Non-Operating Liabilities	1,623	1,031	1,195	*1,195*	*1,195*
Total Liabilities	**16,290**	**16,767**	**18,691**	***13,253***	***14,786***
Preferred Stock	—	—	—	—	—
Common Stock	3	3	3	*3*	*3*
Additional Paid-in Capital	4,598	4,690	4,788	*5,079*	*5,114*
Retained Earnings (Deficit)	1,060	1,286	1,494	*-1,207*	*-1,073*
(Treasury Stock)	-41	-49	-59	*-59*	*-59*
Other Equity	-66	-44	-51	*-41*	*-46*
Shareholder's Equity	**5,554**	**5,887**	**6,175**	***3,775***	***3,939***
Minority Interest	—	—	—	—	—
Total Equity	**5,554**	**5,887**	**6,175**	***3,775***	***3,939***

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Morningstar Analyst Forecasts

Cash Flow (USD Mil)

Fiscal Year Ends in December	2012	2013	2014	*Forecast* 2015	*Forecast* 2016
Net Income	416	532	530	*-2,434*	*340*
Depreciation	562	577	606	*536*	*570*
Amortization	—	—	—	*11*	*11*
Stock-Based Compensation	45	51	72	*35*	*36*
Impairment of Goodwill	—	—	—	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	305	287	299	*334*	*340*
Other Non-Cash Adjustments	25	-65	-50	—	—
(Increase) Decrease in Accounts Receivable	-51	-95	-63	*65*	*-36*
(Increase) Decrease in Inventory	62	-9	-120	*-21*	*-23*
Change in Other Short-Term Assets	-157	81	9	*196*	*-225*
Increase (Decrease) in Accounts Payable	57	68	38	*-2*	*23*
Change in Other Short-Term Liabilities	—	—	—	*-1,011*	*900*
Cash From Operations	**1,264**	**1,427**	**1,321**	***-2,291***	***1,936***
(Capital Expenditures)	-1,499	-1,880	-2,029	*-1,283*	*-1,358*
Net (Acquisitions), Asset Sales, and Disposals	26	18	13	—	—
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	51	-148	-101	*6,845*	*-879*
Cash From Investing	**-1,422**	**-2,010**	**-2,117**	***5,561***	***-2,237***
Common Stock Issuance (or Repurchase)	374	36	20	*291*	*35*
Common Stock (Dividends)	-273	-306	-321	*-267*	*-206*
Short-Term Debt Issuance (or Retirement)	-582	-78	878	*-1,344*	—
Long-Term Debt Issuance (or Retirement)	656	794	219	*-1,956*	*600*
Other Financing Cash Flows	—	—	—	*-35*	*-36*
Cash From Financing	**175**	**445**	**796**	***-3,311***	***393***
Exchange Rates, Discontinued Ops, etc. (net)	8	129	-1	*10*	*-5*
Net Change in Cash	**25**	**-10**	**-1**	***-30***	***87***

NiSource Inc NI [NYSE] | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

Valuation Analysis

Company/Ticker	Price/Fair Value	Price/Earnings 2014	2015(E)	2016(E)	EV/EBITDA 2014	2015(E)	2016(E)	Price/Free Cash Flow 2014	2015(E)	2016(E)	Price/Book 2014	2015(E)	2016(E)	Price/Sales 2014	2015(E)	2016(E)
Dominion Resources Inc D USA	0.94	22.4	18.3	17.5	16.3	12.0	11.2	NM	NM	NM	3.9	3.0	2.6	3.6	2.6	2.5
Sempra Energy SRE USA	0.99	24.8	19.8	18.5	13.5	11.2	10.4	NM	NM	NM	2.4	2.0	1.9	2.5	2.1	2.0
CenterPoint Energy Inc CNP USA	0.81	18.6	16.5	15.5	9.0	9.2	8.6	403.0	NM	NM	2.2	1.7	1.6	1.1	0.9	0.8
Average		21.9	18.2	17.2	12.9	10.8	10.1	403.0	—	—	2.8	2.2	2.0	2.4	1.9	1.8
NiSource Inc NI US	**1.21**	**9.9**	**21.0**	**18.4**	**8.2**	**9.5**	**8.9**	**NM**	**NM**	**10.6**	**0.9**	**1.6**	**1.6**	**0.8**	**1.2**	**1.1**

Returns Analysis

Company/Ticker	Last Historical Year Total Assets (Mil)	ROIC % 2014	2015(E)	2016(E)	Adjusted ROIC % 2014	2015(E)	2016(E)	Return on Equity % 2014	2015(E)	2016(E)	Return on Assets % 2014	2015(E)	2016(E)	Dividend Yield % 2014	2015(E)	2016(E)
Dominion Resources Inc D USA	54,327 USD	5.3	7.0	7.0	5.7	7.5	7.4	11.4	18.1	16.7	2.5	3.9	3.9	3.1	3.8	4.2
Sempra Energy SRE USA	39,732 USD	4.9	5.8	6.0	5.0	6.0	6.2	10.4	10.5	10.7	3.0	3.0	3.1	2.2	3.0	3.1
CenterPoint Energy Inc CNP USA	23,200 USD	5.7	6.1	6.7	6.0	6.5	7.1	13.8	10.3	10.8	2.7	2.1	2.3	4.1	5.6	5.8
Average		5.3	6.3	6.6	5.6	6.7	6.9	11.9	13.0	12.7	2.7	3.0	3.1	3.1	4.1	4.4
NiSource Inc NI US	**24,866** USD	**5.8**	**5.2**	**6.3**	**6.8**	**5.8**	**7.1**	**8.8**	**-48.9**	**8.8**	**2.2**	**-11.6**	**1.9**	**6.1**	**4.4**	**3.4**

Growth Analysis

Company/Ticker	Last Historical Year Revenue (Mil)	Revenue Growth % 2014	2015(E)	2016(E)	EBIT Growth % 2014	2015(E)	2016(E)	EPS Growth % 2014	2015(E)	2016(E)	Free Cash Flow Growth % 2014	2015(E)	2016(E)	Dividend/Share Growth % 2014	2015(E)	2016(E)
Dominion Resources Inc D USA	12,436 USD	-5.2	23.9	6.1	-17.9	54.2	6.2	5.6	7.9	4.1	-374.8	-167.2	28.1	6.7	7.9	5.8
Sempra Energy SRE USA	11,035 USD	4.5	0.5	6.6	-2.7	16.7	8.4	—	7.7	7.4	-336.9	-51.3	-68.6	—	11.1	6.0
CenterPoint Energy Inc CNP USA	9,226 USD	13.8	-5.1	4.0	-7.4	-7.4	9.2	5.2	-14.3	6.5	-40.4	NM	-88.7	14.5	4.2	4.0
Average		4.4	6.4	5.6	-9.3	21.2	7.9	5.4	0.4	6.0	-250.7	-109.3	-43.1	10.6	7.7	5.3
NiSource Inc NI US	**6,471** USD	**14.4**	**-19.6**	**4.2**	**9.3**	**-35.4**	**7.1**	**7.0**	**-45.5**	**14.4**	**58.7**	**-680.3**	**-103.5**	**4.1**	**-18.6**	**-23.4**

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

Comparable Company Analysis

These companies are chosen by the analyst and the data are shown by nearest calendar year in descending market capitalization order.

Profitability Analysis

	Last Historical Year Net Income	Gross Margin %			EBITDA Margin %			Operating Margin %			Net Margin %			Free Cash Flow Margin %		
Company/Ticker	(Mil)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)
Dominion Resources Inc D USA	2,003 USD	58.9	59.0	59.0	34.4	36.5	36.8	21.9	27.2	27.3	16.1	14.3	14.4	-16.9	-3.2	-4.0
Sempra Energy SRE USA	1,116 USD	56.9	60.0	59.4	27.4	30.6	30.8	16.9	19.6	19.9	10.1	11.0	11.1	-8.7	-4.8	-2.7
CenterPoint Energy Inc CNP USA	546 USD	46.7	44.2	44.4	21.1	18.9	19.4	10.1	9.9	10.4	5.9	5.4	5.5	0.3	-1.7	-0.8
Average		54.2	54.4	54.3	27.6	28.7	29.0	16.3	18.9	19.2	10.7	10.2	10.3	-8.4	-3.2	-2.5
NiSource Inc NI US	**534** USD	**65.6**	**57.4**	**57.6**	**28.4**	**25.8**	**26.4**	**19.0**	**15.3**	**15.7**	**8.3**	**5.7**	**6.3**	**-10.9**	**-68.7**	**10.7**

Leverage Analysis

	Last Historical Year Total Debt	Debt/Equity %			Debt/Total Cap %			EBITDA/Interest Exp.			Total Debt/EBITDA			Assets/Equity		
Company/Ticker	(Mil)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)
Dominion Resources Inc D USA	25,955 USD	224.6	197.7	169.1	69.2	66.4	62.8	3.6	6.3	6.6	6.1	4.7	4.3	4.7	4.4	4.0
Sempra Energy SRE USA	14,369 USD	126.6	130.4	131.5	55.9	56.6	56.8	5.4	5.9	5.7	4.8	4.6	4.5	3.5	3.5	3.5
CenterPoint Energy Inc CNP USA	8,857 USD	194.7	140.8	144.4	66.1	58.5	59.1	4.1	4.5	4.5	4.5	3.9	3.8	5.1	4.6	4.7
Average		182.0	156.3	148.3	63.7	60.5	59.6	4.4	5.6	5.6	5.1	4.4	4.2	4.4	4.2	4.1
NiSource Inc NI US	**9,999** USD	**161.9**	**177.5**	**185.3**	**61.8**	**64.0**	**65.0**	**4.1**	**3.4**	**4.4**	**5.4**	**5.0**	**5.1**	**4.0**	**4.5**	**4.8**

Liquidity Analysis

	Market Cap	Cash per Share			Current Ratio			Quick Ratio			Cash/Short-Term Debt			Payout Ratio %		
Company/Ticker	(Mil)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)	2014	2015(E)	2016(E)
Dominion Resources Inc D USA	40,209 USD	0.57	0.63	0.82	0.78	0.76	0.78	0.78	0.60	0.62	0.08	0.09	0.13	107.1	70.0	71.2
Sempra Energy SRE USA	23,816 USD	2.27	1.92	1.80	0.83	0.83	0.83	0.75	0.76	0.75	0.26	0.23	0.23	57.0	57.9	57.1
CenterPoint Energy Inc CNP USA	7,676 USD	0.69	0.86	0.84	0.94	0.97	0.96	0.83	0.86	0.84	0.35	0.49	0.49	67.1	91.4	89.3
Average		1.18	1.14	1.15	0.85	0.85	0.86	0.79	0.74	0.74	0.23	0.27	0.28	77.1	73.1	72.5
NiSource Inc NI US	**6,144** USD	**0.16**	**0.06**	**0.33**	**0.62**	**1.23**	**0.93**	**0.47**	**0.86**	**0.68**	**0.03**	**0.04**	**0.21**	**60.9**	**-11.0**	**60.5**

Research Methodology for Valuing Companies

Components of Our Methodology

- Economic Moat™ Rating
- Moat Trend™ Rating
- Moat Valuation
- Three-Stage Discounted Cash Flow
- Weighted Average Cost of Capital
- Fair Value Estimate
- Scenario Analysis
- Uncertainty Ratings
- Margin of Safety
- Consider Buying/Selling
- Stewardship Rating

We believe that a company's intrinsic worth results from the future cash flows it can generate.
The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth. Four key components drive the Morningstar rating: our assessment of the firm's economic moat, our estimate of the stock's fair value, our uncertainty around that fair value estimate and the current market price. This process ultimately culminates in our single-point star rating. Underlying this rating is a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's equity analysts.

The concept of the Morningstar Economic Moat™ Rating plays a vital role not only in our qualitative assessment of a firm's investment potential, but also in our actual calculation of our fair value estimates. We assign three moat ratings—none, narrow, or wide—as well as the Morningstar Moat Trend™ Rating—positive, stable, or negative—to each company we cover. Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns on invested capital over at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. The assumptions that we make about a firm's economic moat play a vital role in determining the length of "economic outperformance" that we assume in the terminal sections of our valuation model. To assess the sustainability of excess profits, analysts perform ongoing assessments of what we call the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

At the heart of our valuation system is a detailed projection of a company's future cash flows. The first stage of our three-stage discounted cash flow model can last from 5 to 10 years and contains numerous detailed assumptions about various financial and operating items. The second stage of our model—where a firm's return on new invested capital (RONIC) and earnings growth rate implicitly fade until the perpetuity year—can last anywhere from one year (for companies with no economic moat) to 10-15 years (for wide-moat companies). In our third stage, we assume the firm's RONIC equals its weighted average cost of capital, and we calculate a continuing value using a standard perpetuity formula. In deciding on the rate at which to discount future cash flows, we use a building block approach,

Morningstar Research Methodology for Valuing Companies

Source: Morningstar, Inc.

Detailed Methodology Documents and Materials*

- Comprehensive Equity Research Methodology
- Uncertainty Methodology
- Cost of Equity Methodology
- Morningstar DCF Valuation Model
- Stewardship Rating Methodology

*Please contact a sales representative for more information.

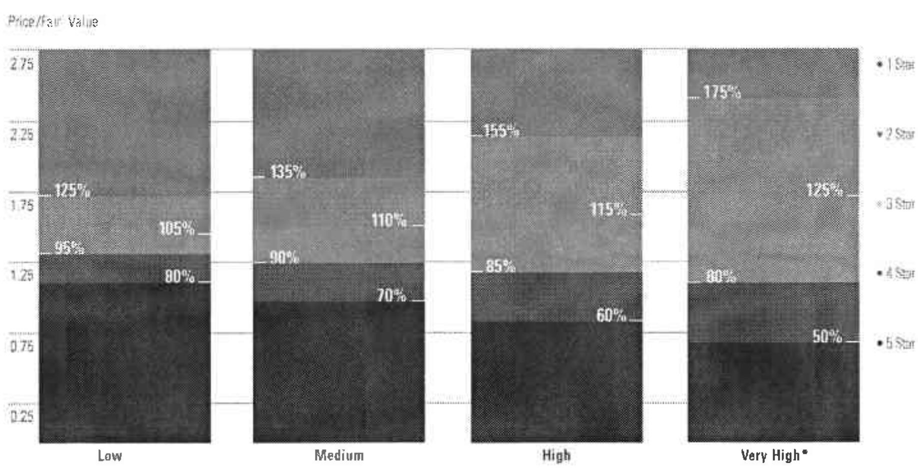
which takes into account expectations for market real return, inflation, country risk premia, corporate credit spread, and any additional systematic risk.

We also employ a number of other tools to augment our valuation process, including scenario analysis, where we assess the likelihood and performance of a business under different economic and firm-specific conditions. Our analysts model three scenarios for each company we cover, stress-testing the model and examining the distribution of resulting fair values.

The Morningstar Uncertainty Rating captures the range of likely potential fair values and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the Fair Value Estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Our corporate Stewardship Rating represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

Morningstar Margin of Safety and Star Rating Bands

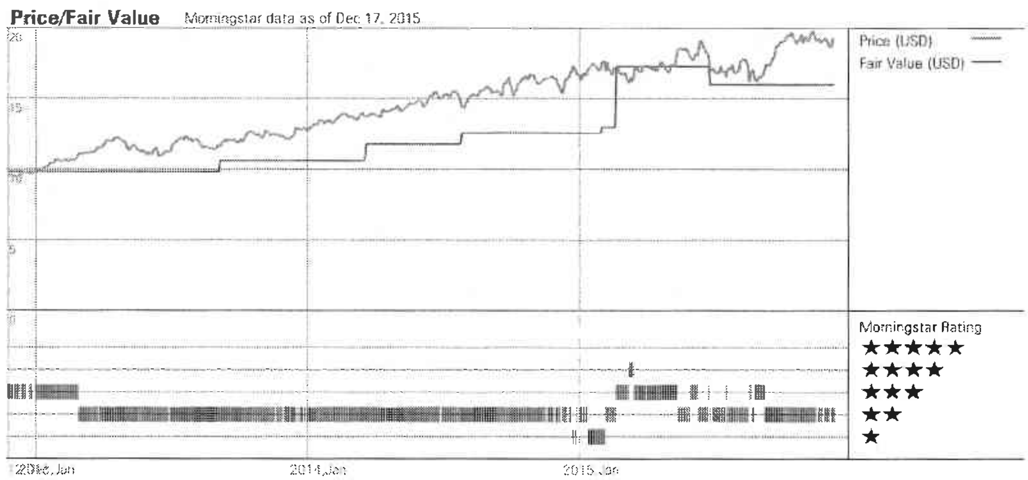


* Occasionally a stock's uncertainty will be too high for us to estimate, in which case we label it Extreme.

Source: Morningstar, Inc.

NiSource Inc NI [NYSE] | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated



Unless stated otherwise, this Research Report was prepared by the person(s) noted in their capacity as Equity Analysts employed by Morningstar, Inc., or one of its affiliates. This Report has not been made available to the issuer of the relevant financial products prior to publication.

The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic value. Five-star stocks sell for the biggest risk-adjusted discount whereas one-star stocks trade at premiums to their intrinsic value. Based on a fundamentally focused methodology and a robust, standardized set of procedures and core valuation tools used by Morningstar's Equity Analysts, four key components drive the Morningstar Rating: 1. Assessment of the firm's economic moat, 2. Estimate of the stock's fair value, 3. Uncertainty around that fair value estimate, and 4. Current market price. Further information on Morningstar's methodology is available from http://global.morningstar.com/equitydisclosures.

This Report is current as of the date on the Report until it is replaced, updated or withdrawn. This Report may be withdrawn or changed at any time as other information becomes available to us. This Report will be updated if events affecting the Report materially change.

Conflicts of Interest:

-No material interests are held by Morningstar or the Equity Analyst in the financial products that are the subject of the Reports.

-Equity Analysts are required to comply with the CFA Institute's Code of Ethics and Standards of Professional Conduct.

-Equity Analysts' compensation is derived from Morningstar's overall earnings and consists of salary, bonus and in some cases restricted stock.

-Equity Analysts do not have authority over Morningstar's investment management group's business arrangements nor allow employees from the investment management group to participate or influence the analysis or opinion prepared by them. Morningstar will not receive any direct benefit from the publication of this Report.

- Morningstar does not receive commissions for providing research and does not charge companies to be rated.

-Equity Analysts use publicly available information.

NiSource Inc NI (NYSE) | ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

-Morningstar may provide the product issuer or its related entities with services or products for a fee and on an arms' length basis including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship and website advertising.

-Further information on Morningstar's conflict of interest policies is available from http://global.morningstar.com/equitydisclosures.

If you wish to obtain further information regarding previous Reports and recommendations and our services, please contact your local Morningstar office.

Unless otherwise provided in a separate agreement, you may use this Report only in the country in which the Morningstar distributor is based. Unless stated otherwise, the original distributor of this document is Morningstar Inc. Redistribution, in any capacity, is prohibited without permission. The information, data, analyses and opinions presented herein do not constitute investment advice; are provided solely for informational purposes and therefore are not an offer to buy or sell a security; and are not warranted to be correct, complete or accurate, nor may they be construed as a representation regarding the legality of investing in the security/ies concerned, under the applicable investment or similar laws or regulations of any person or entity accessing this report. The opinions expressed are as of the date written and are subject to change without notice. Except as otherwise required by law, Morningstar, its affiliates, and their officers, directors and employees shall not be responsible or liable for any trading decisions, damages or other losses resulting from, or related to, the information, data, analyses or opinions or their use. You should seek the advice of your financial, legal, tax, business and/or other consultant, and read all relevant issue documents pertaining to the security/ies concerned, including without limitation, the detailed risks involved in the investment, before making an investment decision.

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. As the price / value / interest rate of a security fluctuates, the value of your investments in the said security, and in the income, if any, derived therefrom may go up or down.

For Recipients in Australia: This report has been authorized by the Head of Equity and Credit Research, Asia Pacific, Morningstar Australasia Pty Limited and is circulated pursuant to RG 79.26(f) as a full restatement of an original report (by the named Morningstar analyst) which has already been broadly distributed. To the extent the report contains general advice it has been prepared without reference to your objectives, financial situation or needs. You should consider the advice in light of these matters and, if applicable, the relevant Product Disclosure Statement before making any decision to invest. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/fsg.pdf.

For Recipients in Hong Kong: The research is distributed by Morningstar Investment Management Asia Limited, which is regulated by the Hong Kong Securities and Futures Commission to provide services to professional investors only. Neither Morningstar Investment Management Asia Limited, nor its representatives, are acting or will be deemed to be acting as an investment advisor to any recipients of this information unless expressly agreed to by Morningstar Investment Management Asia Limited. For enquiries regarding this research, please contact a Morningstar Investment Management Asia Limited Licensed Representative at http://global.morningstar.com/equitydisclosures.

NiSource Inc NI (NYSE) ★★

Last Price	Fair Value	Consider Buy	Consider Sell	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
18.89 USD	18.00 USD	14.40 USD	22.50 USD	Low	Narrow	Stable	Standard	Utilities - Regulated

For Recipients in India: This research on securities [as defined in clause (h) of Section 2 of the Securities Contracts (Regulation) Act, 1956], such research being referred to for the purpose of this document as "Investment Research", is issued by Morningstar Investment Adviser India Private Limited.

Morningstar Investment Adviser India Private Limited is registered with the Securities and Exchange Board of India under the SEBI (Investment Advisers) Regulations, 2013, vide Registration number INA000001357, dated March 27, 2014, and in compliance of the aforesaid regulations and the SEBI (Research Analysts) Regulations, 2014, it carries on the business activities of investment advice and research. Morningstar Investment Adviser India Private Limited has not been the subject of any disciplinary action by SEBI or any other legal/regulatory body. Morningstar Investment Adviser India Private Limited is a wholly owned subsidiary of Morningstar Associates LLC, which is a part of the Morningstar Investment Management group of Morningstar, Inc., and Morningstar, Inc. is a leading provider of independent investment research that offers an extensive line of products and services for individual investors, financial advisors, asset managers, and retirement plan providers and sponsors. In India, Morningstar Investment Adviser India Private Limited has only one associate, viz., Morningstar India Private Limited, and this company predominantly carries on the business activities of providing data input, data transmission and other data related services, financial data analysis, software development etc.

The author/creator of this Investment Research ("Research Analyst") or his/her associates or his/her relatives does/do not have (i) any financial interest in the subject company; (ii) any actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of this Investment Research; and (iii) any other material conflict of interest at the time of publication of this Investment Research.

The Research Analyst or his/her associates or his/her relatives has/have not received any (i) compensation from the subject company in the past twelve months; (ii) compensation for products or services from the subject company in the past twelve months; and (iii) compensation or other material benefits from the subject company or third party in connection with this Investment Research. Also, the Research Analyst has not served as an officer, director or employee of the subject company.

The terms and conditions on which Morningstar Investment Adviser India Private Limited offers Investment Research to clients, varies from client to client, and are spelt out in detail in the respective client agreement.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-011:

If applicable, please supply a listing of all common equity infusions from the parent to the Company over the past five years. In each case, identify date and dollar amount.

Response:

There have been no common equity infusions from the parent to the Company over the past five years (2011-2015).

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-012:

If applicable, please identify the Company's common dividend payments to its parent for each of the last five years.

Response:

Common Dividend payments to the Parent Company for the last 5 years were as follows:

2011 - $ 5,000,000
2012 - $ 3,000,000
2013 - $ 8,000,000
2014 - $ 0
2015 - $ 0

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-013:

Please provide the latest year-by-year financial projections for the Company for the next five years. Also, please indicate the date these projections were prepared; whether approved by management; and whether the projections have been submitted to bond rating agencies. (Information should be treated in a confidential manner.)

Response:

The financial projections of the Company are confidential and will be made available upon request, subject to the execution of a confidentiality agreement.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-014:

Please provide the Company's five-year construction budget.

Response:

GAS-ROR-014 Attachment A provides Columbia Gas of Pennsylvania's current five year Capital Program (2016-2020) broken down by Business Class, summarized by Gross Capital Expenditures, Net Capital Expenditures, and Contributions and Reimbursements.

Columbia Gas of Pennsylvania
Capital Program
($000)

Gross View

Class	2016	2017	2018	2019	2020
Growth	$25,100	$23,400	$24,000	$24,900	$25,100
Betterment	$16,900	$20,400	$15,600	$8,700	$6,800
Public Improvement	$7,000	$4,800	$4,900	$4,900	$4,900
Replacement	$161,900	$204,400	$210,000	$210,000	$157,000
Support Services	$2,173	$3,887	$4,050	$3,500	$4,850
Automated Meter Reading	$500	$510	$710	$710	$1,300
Total Gross Capital	**$213,573**	**$257,397**	**$259,260**	**$252,710**	**$199,950**
Shared Services Allocation	$10,766	$7,829	$7,491	$7,847	$7,859
Fully Loaded Gross Capital	**$224,339**	**$265,226**	**$266,751**	**$260,557**	**$207,809**

	2016	2017	2018	2019	2020
Contributions - Growth	($400)	($300)	($300)	($300)	($300)
Reimbursement - Betterment	$0	$0	$0	$0	$0
Reimbursement - Public Improvement	($400)	($400)	($400)	($400)	($400)
Reimbursement - Replacement	$0	$0	$0	$0	$0
Total Contributions & Reimbursements	**($800)**	**($700)**	**($700)**	**($700)**	**($700)**

Net View

Class	2016	2017	2018	2019	2020
Growth	$24,700	$23,100	$23,700	$24,600	$24,800
Betterment	$16,900	$20,400	$15,600	$8,700	$6,800
Public Improvement	$6,600	$4,400	$4,500	$4,500	$4,500
Replacement	$161,900	$204,400	$210,000	$210,000	$157,000
Support Services	$2,173	$3,887	$4,050	$3,500	$4,850
Automated Meter Reading	$500	$510	$710	$710	$1,300
Total Net Capital	**$212,773**	**$256,697**	**$258,560**	**$252,010**	**$199,250**
Shared Services Allocation	$10,766	$7,829	$7,491	$7,847	$7,859
Fully Loaded Net Capital	**$223,539**	**$264,526**	**$266,051**	**$259,857**	**$207,109**

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-015:

Please identify the Company's and, if applicable, its parent's capital structure targets (percentages of capital types). Provide the complete basis for the capital structure targets.

Response: Columbia Gas of Pennsylvania, Inc.

The Company targets an equity ratio of between 52-54% and a debt ratio, including short term debt, of between 46-48%. These ranges have been acceptable in Pennsylvania in the past. They also fall within the ranges of the Gas Group as described in Paul R. Moul's direct testimony, Columbia Statement No. 8.

Response: NiSource Inc.

NiSource Inc. does not formally publish a capital structure target, but it implements its financial strategy with the goal of maintaining an investment grade bond rating.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-016:

For each month, of the most recent 24 months, please supply the Company's

a. short-term debt balance;

b. short-term debt interest rate;

c. balance of construction work in progress; and

d. balance of construction work in progress which is eligible for AFUDC accrual.

Response:

Please see GAS-ROR-016 Attachment A.

	Part A	Part B	Part C	Part D
	Short Term Debt		Construction Work in Progress	
	Balance ($000)	Rate %	CWIP Balance (Dollars$)	CWIP Eligible for AFUDC (Dollars$)
January 2014	0	0.71%	30,907,927	25,680,223
February	0	0.69%	33,925,106	28,047,616
March	0	0.61%	39,602,330	33,329,389
April	0	0.59%	28,114,486	22,709,191
May	0	0.61%	25,669,768	20,083,413
June	26,931	0.64%	15,148,354	10,798,325
July	70,063	0.67%	25,042,656	21,411,527
August	89,642	0.73%	22,781,410	20,080,401
September	105,719	0.67%	29,225,850	27,414,049
October	124,501	0.66%	30,152,792	29,163,959
November	125,029	0.71%	19,464,729	20,661,133
December 2014	89,797	0.81%	15,335,088	12,509,453
January 2015	36,862	1.09%	24,896,488	16,845,193
February	0	1.03%	28,012,753	19,157,812
March	0	0.75%	32,728,891	23,252,585
April	0	0.68%	40,199,203	29,892,329
May	0	3.24%	33,626,371	23,671,799
June	0	0.20%	36,499,420	27,195,977
July	0	0.21%	37,785,046	28,371,953
August	2,726	0.21%	33,832,232	24,884,785
September	0	0.23%	31,046,268	24,422,280
October	0	0.22%	31,141,848	24,555,380
November	16,920	0.46%	27,823,620	23,935,890
December 2015	28,258	0.72%	20,600,883	18,969,311

Question No. GAS-ROR-017
Respondent: P.R. Moul

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-017:

If applicable, please provide the currently authorized returns on equity for each of the parent's utility subsidiaries of the same industry type as the Company. In each case identify the approximate date when the current return on equity was approved by the state commission.

Response:

Company		Date		ROE
Columbia Gas of Kentucky		December 29, 2013		10.125%
Columbia Gas of Ohio		October 24, 2008		10.39%
Columbia Gas of Maryland		September 23, 2013		9.60%
Columbia Gas of Virginia		August 21, 2015		9.75%*
Columbia Gas of Massachusetts		February 28, 2014		9.55%
NIPSCO - Gas		August 28, 2013		9.90%

*Columbia Gas of Virginia received a final order August 21, 2015 approving a settlement and a remanded rate design issue. The settlement included an ROE of 9.75 percent to determine the revenue requirement and 9.5 percent for Earnings Test purposes.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-018:

Has the Utility reacquired or repurchased any debt within the last five years? If so, provide a summary of each gain or loss on reacquired debt, the date on which the utility commenced amortization of such a gain or loss, the regulatory commission decision addressing the treatment of such gain or loss on reacquired debt, if any, on interest expense.

Response:

Columbia has not reacquired or repurchased any debt within the last five years.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-019:

Fully identify all debt (other than instruments traded in public markets) owed to all shareholders, corporate officers, or members of the board of directors, its affiliates, parent company, or subsidiaries.

Response:

Columbia Gas of Pennsylvania, Inc. (the Company) is a wholly owned subsidiary of NiSource Gas Distribution, Inc., which is a subsidiary of NiSource Inc. (the Parent). All debt of the Company is held by the Parent, through its subsidiary, NiSource Finance Corp., and is not publicly traded.

Please see Attachment A to this Response.

COLUMBIA GAS OF PENNSYLVANIA, INC.

STATEMENT OF OUTSTANDING LONG TERM NOTES AT DECEMBER 31, 2015

Line No.	Description	Date of Issue (1)	Date of Maturity (2)	Principal Amount Issued (3) $		Amount Paid (4) $	Amount Outstanding (5) $	Coupon Interest Rate (6)	Annualized Cost (7) $
	Columbia Gas of Pennsylvania, Inc.								
1	LONG TERM DEBT								
2	Debentures	11/28/2005	11/28/2016	18,525,000	$	-	18,525,000	5.4500%	1,009,613
3	Debentures	11/28/2005	11/28/2025	54,515,000	$	-	54,515,000	5.9200%	3,227,288
4	Debentures	11/1/2006	11/1/2021	20,000,000	$	-	20,000,000	6.0150%	1,203,000
5	Debentures	12/14/2007	12/14/2027	58,000,000	$	-	58,000,000	6.8650%	3,981,700
6	Debentures	12/16/2010	12/16/2030	28,000,000	$	-	28,000,000	6.0200%	1,685,600
7	Debentures	3/28/2012	3/26/2032	30,000,000	$	-	30,000,000	5.3550%	1,606,500
8	Debentures	3/28/2012	3/26/2042	35,000,000	$	-	35,000,000	5.8900%	2,061,500
9	Debentures	11/28/2012	11/28/2042	65,000,000	$	-	65,000,000	5.2600%	3,419,000
10	Debentures	6/19/2013	06/19/2043	23,000,000	$	-	23,000,000	5.5300%	1,271,900
11	Debentures	12/18/2013	12/18/2043	32,000,000	$	-	32,000,000	6.2900%	2,012,800
12	Debentures	12/18/2014	12/16/2044	30,000,000	$	-	30,000,000	4.4300%	1,329,000
13	Debentures	3/24/2015	3/24/2045	60,000,000	$	-	60,000,000	4.1500%	2,490,000
14	Debentures	9/28/2015	9/28/2035	60,000,000	$	-	60,000,000	4.5051%	2,703,060
15	TOTAL INSTALLMENT FROM NOTES PAYABLE			514,040,000	$	-	514,040,000		28,000,961
16	TOTAL AVERAGE WEIGHTED EFFECTIVE COST RATE [Col. 7/Col. 5]								5.447%

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-20:

Provide a summary statement of all stock dividends, splits, or par value changes during the two (2) year calendar period preceding the rate case filing.

Response:

Columbia Gas of Pennsylvania paid no dividends during the two year calendar period preceding the rate case.

Cash dividends on NiSource Inc. stock during the two year calendar period preceding the rate case were as follows:

Date Declared		Record Date		Date of Payment		Dividend Per share
27-Jan-16		8-Feb-16		02-Feb-16		$0.1550
04-Aug-15		30-Oct-15		20-Nov-15		$0.1550
02-Jul-15		31-Jul-15		20-Aug-15		$0.1550
24-Mar-15		30-Apr-15		20-May-15		$0.2600
30-Jan-15		09-Feb-15		20-Feb-15		$0.2600
05-Aug-14		31-Oct-14		20-Nov-14		$0.2600
13-May-14		31-Jul-14		20-Aug-14		$0.2600
25-Mar-14		30-Apr-14		20-May-14		$0.2500
29-Jan-14		10-Feb-14		20-Feb-14		$0.2500

NiSource Inc. did not have any stock splits or par value changes during the two year calendar period preceding the rate case.

Effective July 1, 2015, NiSource Inc. spun off the assets of Columbia Pipeline Group into a separate non-affiliated entity.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-021:

If a claim of the filing utility is based on utilization of the capital structure or capital costs of the parent company and system--consolidated, the reasons for this claim must be fully stated and supported.

Response:

The filing utility, Columbia Gas of Pennsylvania, Inc., is not utilizing the capital structure of the parent company (NiSource Gas Distribution, Inc.), or the system consolidated (NiSource Inc.) in its claim.

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-022:

To the extent not provided in SDR III-A.13, supply projected capital requirements and sources of the filing utility, its parent and system--consolidated--for the test year and each of three (3) comparable future years.

Response:

Please see GAS-ROR-022 Attachment A, page 1, which provides Columbia Gas of Pennsylvania's capital requirements and sources for the test year (November 30, 2015). See GAS-ROR-022 Attachment A, page 2, which provides NiSource Inc's capital requirements and sources for December 31, 2014. The System prepares YTD cash flow statements, therefore a November 30, 2014 statement is not available.

Please refer to Exhibit No. 405, for the projected capital requirements and sources of the filing utility and its system for the three comparable future years.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL Utilities

USES OF FUNDS	Test Year November 30, 2015 000's
Constructions	$191,174
Allowance for Funds Used During Contruction	459
Debt Retirement and Redemption	0
Other Investing Activities	9,494
Common Dividends	0
Total Funds Required	201,127

SOURCES OF FUNDS

Internal Sources	
Net Income	$66,109
Depreciation	45,383
Deferred Taxes	40,355
OPEB	9,759
Retirement Income Plan	(1,477)
Other Non-Current Assets and Liabilities	3,378
Other Regulatory Assets	(497)
Working Capital	43,407
Total Internal Sources	206,417
External Sources	
Common Stock/Additional Paid in Capital	169
Net Increase(Decrease) in Short-Term Borrowings	0
Issuance of Long-Term debt	102,650
Net Increase(Decrease) in Temporary Cash Investment	(108,109)
Total External Sources	(5,290)
Total Sources of Funds	201,127

NISOURCE, INC.
53.53 II. RATE OF RETURN
A. ALL Utilities

USES OF FUNDS	December 31, 2014 *in millions*
Constructions	1,282.5
Allowance for Funds Used During Contruction	0.0
Debt Retirement and Redemption	529.7
Retirement of Preferred Stock	0.0
Common Dividends	321.3
Acquisition of Treasury Stock	10.2
Other Investing Activities	35.7
Total Funds Required	2,179.4

SOURCES OF FUNDS	
Internal Sources	
Net Income	530.0
Depreciation	487.0
Deferred Taxes	161.4
Other Cash Flow From Operations	(313.1)
Working Capital	(102.7)
Total Internal Sources	762.6
External Sources	
Common Stock	30.3
Net Increase(Decrease) in Short-Term Borrowings	878.1
Issuance of Long-term Debt	748.4
Sale of Assets	4.7
Total External Sources	1,661.5
Net Cash from (used for) Discontinued Operations	558.4
Net Investing Activities from (used for) Discontinued Operations	(803.1)
Net Financing Activities from (used for) Discontinued Operations	0.0
Total Sources of Funds	2,179.4

Columbia Gas of Pennsylvania, Inc.

Standard Data Request

Rate of Return

Question No. GAS-ROR-023:

To the extent not provided elsewhere, supply financial data of Company and/or parent for the last five (5) years.

a. Times interest earned ratio – pre and post tax basis.

b. Preferred stock dividend coverage ratio – post tax basis.

c. Times fixed charges earned ratio – pre tax basis.

d. Dividend payout ratio.

e. AFUDC as a percent of earnings available for common equity.

f. Construction work in progress as a percent of net utility plant.

g. Effective income tax rate.

h. Internal cash generations as a percent of total capital requirements.

Response:

Please see GAS-ROR-023 Attachment A, page 1 for Company financial data and page 2 for parent financial data.

COLUMBIA GAS OF PENNSYLVANIA, INC.
Standard Data Request - Rate of Return
SDR No. 23 - Exhibit

a. Times Interest earned ratio -- pre and post tax basis.

	2010	2011	2012	2013	2014
Pre-tax	3.67	2.89	3.36	4.20	5.18
Post-tax	4.04	3.04	3.20	3.47	3.63

b. Preferred stock dividend coverage ratio -- post tax basis.
The Company has no preferred stock outstanding.

c. Time fixed charges earned ratio -- post tax basis.

2010	2011	2012	2013	2014
3.64	3.22	3.37	4.23	5.21

d. Dividend payout ratio.

2010	2011	2012	2013	2014
0.63	0.12	0.06	0.14	0.00

e. AFUDC as earnings available for common equity.

2010	2011	2012	2013	2014
0.30%	0.40%	0.70%	0.73%	0.51%

f. Construction work in progress as a percent of net utility plant.

2010	2011	2012	2013	2014
1.29%	1.85%	1.21%	2.22%	1.21%

g. Effective income tax rate (1)

2010	2011	2012	2013	2014
-13.67%	-7.74%	6.74%	22.72%	37.15%

h. Internal cash generations as a percent of total capital requirements.

2010	2011	2012	2013	2014
45.90%	49.20%	86.83%	52.05%	66.68%

(1) Effective income tax rates are low for the more recent years due to the flow through treatment of repairs and the amortization of the tax refund due to repairs.

NiSource Inc.
Standard Data Request - Rate of Return
SDR No. 23 - Exhibit

a. Times Interest earned ratio -- pre and post tax basis.

	2010	2011	2012	2013	2014
Pre-tax	2.11	2.13	2.30	2.54	2.61
Post-tax	3.04	3.46	4.67	6.32	7.59

b. Preferred stock dividend coverage ratio -- post tax basis.

2010	2011	2012	2013	2014
0.00%	0.00%	0.00%	0.00%	0.00%

NOTE: All outstanding cumulative preferred stock was redeemed in 2006.

c. Time fixed charges earned ratio -- post tax basis.

2010	2011	2012	2013	2014
2.00	2.11	2.38	2.63	2.61

d. Dividend payout ratio.

2010	2011	2012	2013	2014
0.88	0.86	0.66	0.57	0.61

e. AFUDC as earnings available for common equity.

2010	2011	2012	2013	2014
-4.38%	-6.19%	-8.50%	3.77%	4.09%

f. Construction work in progress as a percent of net utility plant.

2010	2011	2012	2013	2014
2.41%	3.32%	5.83%	5.19%	5.19%

g. Effective income tax rate.

2009	2010	2011	2012	2013
41.76%	32.45%	34.96%	34.42%	34.79%

h. Internal cash generations as a percent of total capital requirements.

2010	2011	2012	2013	2014
103.67%	66.80%	66.57%	58.44%	55.36%