NISOURCE INC/DE
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April 15, 2003

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

SCHEDULE 14A

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

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

NiSource Inc.

(Name of Registrant as Specified In Its Charter)

NiSource Inc.

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

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NiSource Inc.

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

NOTICE OF ANNUAL MEETING

April 15, 2003

To the Holders of Common Stock of NiSource Inc.:

The annual meeting (the Annual Meeting) of the stockholders of NiSource Inc. (the Company) will be held at The Jefferson, 101 West Franklin Street, Richmond, Virginia on Tuesday, May 20, 2003, at 10:00 a.m., local time, for the following purposes:

(1) To elect three members of the board of directors, each for a term of three years;

(2) To approve certain amendments to the Company s Nonemployee Director Stock Incentive Plan;

(3) To consider the stockholder proposal from the Trust for the International Brotherhood of Electrical Workers Pension Benefit Fund (the IBEW Proposal); and

(4) To transact any other business that may properly come before the meeting.

All persons who are stockholders of record at the close of business on April 1, 2003 will be entitled to vote at the Annual Meeting.

Please act promptly to vote your shares with respect to the proposals described above. You may vote your shares by marking, signing, dating and mailing the enclosed proxy card. You may also vote by telephone or through the Internet by following the instructions set forth on the proxy card. If you attend the annual meeting, you may vote in person, even if you have previously submitted a proxy.

In order to help us arrange for the Annual Meeting, if you plan to attend the Annual Meeting, please so indicate in the space provided on the proxy card or respond when prompted on the telephone or through the Internet.

PLEASE VOTE YOUR SHARES BY TELEPHONE, THROUGH THE INTERNET OR BY PROMPTLY

MARKING, DATING, SIGNING AND RETURNING THE ENCLOSED PROXY CARD.

Gary W. Pottorff
Secretary

PROXY STATEMENT

The accompanying proxy is solicited on behalf of the board of directors of the Company. The common stock, $.01 par value per share, of the Company represented by the proxy will be voted as directed. If no direction is given, shares represented by the accompanying proxy will be voted FOR all of the nominees for director, FOR the approval of the amendments to the Company s Nonemployee Director Stock Incentive Plan and AGAINST the IBEW Proposal. If any other matters properly come before the Annual Meeting, the persons named in the accompanying proxy will vote the shares represented by such proxy on such matters in accordance with their best judgment.

This proxy statement and form of proxy are first being sent to stockholders on April 15, 2003. The Company will bear the expense of this solicitation. The original solicitation of proxies by mail and a reminder letter may be supplemented by telephone, facsimile and personal solicitation by officers and regular employees of the Company or its subsidiaries. To aid in the solicitation of proxies, the Company has retained Morrow & Co. for a fee of $7,500 plus reimbursement of expenses. The Company also will request brokerage houses and other nominees and fiduciaries to forward proxy materials, at the Company s expense, to the beneficial owners of stock held of record by such persons.

Who May Vote

The close of business on April 1, 2003, is the date for determining stockholders entitled to notice of and to vote at the Annual Meeting. As of April 1, 2003, 262,172,904 shares of common stock were issued and outstanding. Each share of common stock outstanding on that date is entitled to one vote on each matter presented at the Annual Meeting.

Voting Your Proxy

If you are a stockholder of record (that is, if you hold shares of common stock of the Company in your own name), you may vote your shares by proxy using any of the following methods:

Telephoning the toll-free number listed on the proxy card;

Using the Internet site listed on the proxy card; or

Marking, dating, signing and returning the enclosed proxy card.

If your shares are held by a broker, bank or other nominee in street name, you will receive voting instructions from the record holder that you must follow in order to have your shares of common stock voted at the Annual Meeting. If your shares are held by a broker or other nominee, that broker or nominee will have the discretionary authority to vote your shares of common stock with regard to all proposals scheduled for consideration at the Annual Meeting if you or any other person entitled to vote those shares does not provide the broker or other nominee with instructions.

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

If you plan to attend the Annual Meeting, please so indicate when you vote, so that the Company may make arrangements.

Voting in Person

You also may come to the Annual Meeting and vote your shares in person by obtaining and submitting a ballot that will be provided at the meeting. However, if your shares are held by a broker, bank or other nominee in street name, to be able to vote at the meeting you must obtain a proxy, executed in your favor, from the institution that holds your shares, indicating that you were the beneficial owner of the shares on April 1, 2003, the record date for voting.

Revoking Your Proxy

A proxy may be revoked by the stockholder at any time before a vote is taken or the authority granted is otherwise exercised. To revoke a proxy, you may send to the Company s Secretary a letter indicating that you want to revoke your proxy or you can supersede your initial proxy by (i) delivering to the Secretary a duly executed proxy bearing a later date, (ii) voting by telephone or through the Internet on a later date, or (iii) attending the meeting and voting in person. Attending the Annual Meeting will not in and of itself revoke a proxy.

Quorum for the Meeting

A quorum of stockholders is necessary to take action at the Annual Meeting. A majority of the outstanding shares of common stock, represented in person or by proxy, will constitute a quorum of stockholders at the Annual Meeting. Votes cast by proxy or in person at the meeting will be tabulated by the inspectors of election. The inspectors of election appointed for the Annual Meeting will determine whether or not a quorum is present. The inspectors of election will treat instructions to withhold authority, abstentions and broker non-votes as present and entitled to vote for purposes of determining the presence of a quorum. A broker non-vote occurs when a broker holding shares for a beneficial owner does not have authority to vote the shares and has not received instructions from the beneficial owner as to how the beneficial owner would like the shares to be voted. Since brokers have the authority to vote on all of the proposals scheduled for consideration at the Annual Meeting, it is not anticipated that there will be any broker non-votes. Stockholders holding shares of stock through the Company s 401(k) Plan with Fidelity will need to vote their shares of stock by one of the methods discussed in this proxy statement in order to have their votes counted.

Votes Required

A plurality of the votes cast at the meeting is required to elect a director. Approval of the Amended Non-Employee Director Plan and the approval of the IBEW Proposal would each require the affirmative vote of the majority of the shares present in person or represented by proxy at the meeting and entitled to vote. Abstentions will not have any effect on the election of the directors; however, abstentions will be counted as a vote against the approval of the amendments to the Nonemployee Director Stock Incentive Plan and a vote against the IBEW Proposal.

PROPOSAL I ELECTION OF DIRECTORS

Nominees For Election As NiSource Directors

The Company s board of directors is currently composed of ten directors, who are divided into three classes. Each class serves for a term of three years, and one class is elected each year. The NiSource board of directors, with the recommendation of its Nominating and Compensation Committee, has nominated Arthur J. Decio, Gary L. Neale and Robert J. Welsh for election as directors of the Company, each for a term of three years that will expire in 2006. Each of the nominees currently serves as a director of the Company. The board of directors does not anticipate that any of the nominees will be unable to serve, but if any nominee is unable to serve the proxies will be voted in accordance with the best judgment of the person or persons acting thereunder.

The following chart gives information about nominees (who have consented to being named in the proxy statement and to serve if elected) and other incumbent directors. The dates shown for service as a director include service as a director of our corporate predecessors NiSource Inc. (incorporated in Indiana) and Northern Indiana Public Service Company.

Name, Age and Principal Occupations for Past Five Years and Present Directorships Held	Has Been a Director Since
Nominees for Terms to Expire in 2006	
Arthur J. Decio, 72	
Chairman of the Board of Skyline Corporation, Elkhart, Indiana, a manufacturer of manufactured housing and recreational vehicles	1991
Gary L. Neale, 63	
Chairman, President and Chief Executive Officer of the Company since 1993. Mr. Neale also is a director of Modine Manufacturing Company, Chicago Bridge and Iron Company, and Mercantile National Bank of Indiana	1991
Robert J. Welsh, 68	
Chairman of the Board and Chief Executive Officer of Welsh Holdings, LLC, Merrillville, Indiana, a real estate holding company. Prior to its sale in 2001, Mr. Welsh was Chairman and Chief Executive Officer of Welsh, Inc., Merrillville, Indiana, a marketer of petroleum products through convenience stores and travel centers. Mr. Welsh also is a director of Mercantile National Bank of Indiana	1988
Directors Whose Terms Expire in 2005	
Stephen P. Adik, 59	
Vice Chairman of the Company since November 1, 2000; prior thereto, Senior Executive Vice President since February 1999, and Chief Financial Officer of the Company since 1994.	2000
Ian M. Rolland, 69	
Prior to his retirement in 1998, Mr. Rolland served as Chairman and Chief Executive Officer of Lincoln National Corporation, Ft. Wayne, Indiana, a provider of financial products and services. Mr. Rolland also is a director of Bright Horizons Family Solutions and on the board of advisors of CID Partners	1978
John W. Thompson, 53	
Chairman and Chief Executive Officer of Symantec Corp., Cupertino, California, a provider of software and Internet security technology. Prior to joining Symantec in 1999, Mr. Thompson was General Manager of IBM Americas. Mr. Thompson also is a director of United Parcel Service, Inc. and Seagate Technology	1993

Name, Age and Principal Occupations for Past Five Years and Present Directorships Held	Has Been a Director Since
Roger A. Young, 57 Chairman, Bay State Gas Company, Westborough, Massachusetts since 1996. Bay State Gas Company has been a subsidiary of the Company since 1999. Mr. Young also served as Chief Executive Officer of Bay State Gas Company from 1990 until his retirement in 1999. Mr. Young also is a director of Watts Industries, Inc.	1999
Directors Whose Terms Expire in 2004	
Steven C. Beering, 70 President Emeritus of Purdue University, West Lafayette, Indiana. Dr. Beering was President of Purdue University from 1983 to 2000. Dr. Beering also is a director of American United Life Insurance Company and Eli Lilly and Company	1986
Dennis E. Foster, 62 Prior to his retirement in 2000, Mr. Foster was Vice Chairman of ALLTEL Corporation, Little Rock, Arkansas, a full service telecom and information service provider. Mr. Foster also is a director of ALLTEL Corporation and Yellow Corporation	1999
Carolyn Y. Woo, 48 Martin J. Gillen Dean and Ray and Milann Siegfried Professor of Management, Mendoza College of Business, University of Notre Dame, Notre Dame, Indiana. Dr. Woo also is a director of AON Corporation, Circuit City, Inc. and St. Joseph Capital Bank	1997

THE COMPANY S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE PROPOSAL TO ELECT MESSRS. DECIO, NEALE AND WELSH AS DIRECTORS OF THE COMPANY, EACH TO SERVE FOR A TERM OF THREE YEARS UNTIL 2006.

Meetings and Committees of the Company s Board of Directors

The board of directors of the Company met seven times during 2002. The board has the following six standing committees:

Executive,

Audit,

Corporate Governance,

Environmental, Health and Safety,

Nominating and Compensation, and

Public Affairs and Career Development.

During 2002, each director attended at least 75% of the combined total number of the Company s board meetings and the meetings of the committees on which he or she was a member.

The Executive Committee did not meet in 2002. The Executive Committee has the authority to act on behalf of the board if reasonably necessary when the board is not in session. Mr. Neale was Chairman and Dr. Beering and Messrs. Decio, Rolland and Welsh were members of the Executive Committee in 2002.

The Audit Committee met ten times in 2002. The Audit Committee meets with the independent public accountants and officers responsible for company financial matters. NiSource adopted a new charter for the Audit Committee on March 25, 2003. The Audit Committee has reviewed and approved the independent public accountants, both for 2002 and 2003, and the fees relating to audit services and other services performed by them. Mr. Rolland was Chairman and Dr. Woo and Messrs. Foster and Thompson were members of the Audit Committee in 2002.

The Corporate Governance Committee met twice in 2002. The Corporate Governance Committee consists of all members of the board who are not also officers of the Company or its subsidiaries. The Corporate Governance Committee is charged with evaluating and advising the board regarding the performance of the Chief Executive Officer. Mr. Rolland was Chairman and Drs. Beering and Woo and Messrs. Decio, Foster, Thompson and Welsh were members of the Corporate Governance Committee in 2002.

The Environmental, Health and Safety Committee met twice during 2002. This committee reviews the status of environmental compliance of the Company and considers environmental public policy issues as well as health and safety issues affecting the Company. The Company adopted a charter for this committee in 2001. Mr. Welsh was Chairman and Messrs. Adik, Decio and Young were members of the Environmental, Health and Safety Committee in 2002.

The Nominating and Compensation Committee met four times in 2002. This committee advises the board with respect to nominations of directors and the salary, compensation and benefits of directors and officers of the Company and its subsidiaries. The Nominating and Compensation Committee considers nominees for directors recommended by stockholders. For information on how to nominate a person for election as a director at the 2004 annual meeting please see the discussion under the heading Stockholder Proposals and Nominations for 2004 Annual Meeting. Dr. Beering was Chairman and Messrs. Decio and Welsh were members of the Nominating and Compensation Committee during 2002.

The Public Affairs and Career Development Committee met twice in 2002. This committee advises the board regarding charitable contributions, employment policies, stockholder proposals concerning matters of general public interest and consumer and utility industry related issues.

Mr. Thompson was Chairman and Drs. Beering and Woo and Messrs. Foster and Rolland were members of the Public Affairs and Career Development Committee in 2002.

Compensation of the Company s Directors

The Company pays each director who is not receiving a salary from the Company $30,000 for each year, $3,000 annually for each standing committee on which the director sits, $1,000 annually for each committee chairmanship, $1,200 for each board meeting attended and $750 per committee meeting attended. Under a deferred compensation arrangement, directors may elect to have their fees deferred in the current year and credited to an interest-bearing account or to a phantom stock account for payment in the future.

The Company s Nonemployee Director Retirement Plan provides a retirement benefit for each nonemployee director currently serving on the board who was originally elected or appointed to the board prior to December 31, 2001, who has completed at least five years of service on the board and who has not elected to opt out of the plan. Directors who are first elected or appointed to the board after 2001 will not be eligible to participate in the retirement plan. The benefit under the plan is a monthly amount equal to one-twelfth of the annual retainer for board service in effect at the time of the director s retirement from the board and will be paid for 120 months, or the number of full months of service the individual served as a nonemployee director of the Company, whichever is less. Directors first elected prior to 2001 who elected to opt out of the plan in 2002 will receive, under the Company s Nonemployee Director Stock Incentive Plan, as amended and restated effective as of July 1, 2002, restricted stock units of comparable value to the present value of the retirement benefit such director had earned under the retirement plan through June 30, 2002. Directors who opt out of the retirement plan and directors first elected after 2001 will not receive a retirement benefit under the retirement plan, but instead may receive, at the discretion of the Nominating and Compensation Committee, additional restricted shares of common stock and restricted stock unit grants under the Company s Nonemployee Director Stock Incentive Plan to ensure that the retirement benefit, together with other compensation paid to the nonemployee director, delivers a competitive compensation package.

The Company s Nonemployee Director Stock Incentive Plan provides for a grant of 2,600 restricted shares of common stock to each nonemployee director of the Company upon his or her election or re-election as a director of the Company. The grants of restricted common stock vest in 20% annual increments, with all of a director s stock vesting five years after the date of award. However, the grants vest immediately upon the director s death, disability or retirement after attaining age 70, or the effective date of a change in control of the Company. In 2002, Messrs. Rolland, Thompson and Young each received a grant of 2,600 restricted shares of common stock under this plan. The board may designate that a scheduled award will consist of nonqualified stock options rather than restricted stock; if so, then, in lieu of restricted shares, each nonemployee director shall be granted a nonqualified option to purchase 7,800 shares of common stock. Grants of nonqualified stock options vest in 20% annual increments and become fully vested on the fifth anniversary of the date of the grant. The grants will vest immediately upon the director s death, disability or retirement after attaining age 70, or the effective date of a change in control of the Company.

Pursuant to the proposed amendments to the Company s Nonemployee Director Stock Incentive Plan, the incentive plan will also provide for grants to nonemployee directors of restricted stock units that have a value related to the Company s common stock. These restricted stock units had previously been granted to nonemployee directors under the Company s Nonemployee Director Restricted Stock Unit Plan; however, under the proposed amendments to the incentive plan, the provisions of the Restricted Stock Unit Plan regarding the grants of such restricted stock units will be merged into the incentive plan. Under the Restricted Stock Unit Plan, each nonemployee director received an initial grant of 500 units in April 1999. Thereafter, each nonemployee director received, upon his or her election or re-election to the board, an additional grant of units, which beginning in 2002, was increased to 600 units. Pursuant to the proposed amendments, the additional grants of 600 units to each nonemployee director upon his or her election or re-election to the board will be made under the incentive plan. The grants of units vest in 20% annual increments, with all of a director s units vesting five years after the date of award. The grants vest immediately upon the director s death, disability or retirement after attaining age 70, or the effective date of a change in control of the Company. Additional units are credited to each nonemployee director with respect to the units included in his or her account from time to time to reflect dividends paid to stockholders of the Company with respect to common stock. The units have no voting or other stock ownership rights and are payable in shares of the

Company s common stock. In 2002, Messrs. Rolland, Thompson and Young each received a grant of 600 units.

The Company has adopted a Directors Charitable Gift Program for nonemployee directors. Under the program, the Company makes a donation to one or more eligible tax-exempt organizations as designated by each eligible director. The Company contributes up to an aggregate of $125,000 for each nonemployee director who has served as a director of the Company for at least five years and up to an additional $125,000 (for an overall $250,000) for each nonemployee director who has served ten years or more. Organizations eligible to receive a gift under the program include charitable organizations and accredited United States institutions of higher learning. Individual directors derive no financial benefit from the program, as all deductions relating to the charitable donations accrue solely to the Company. A director s private foundation is not eligible to receive donations under the program. All current nonemployee directors are eligible to participate in the program.

SECURITY OWNERSHIP OF CERTAIN

BENEFICIAL OWNERS AND MANAGEMENT

The following table contains information about those persons or groups which are known to the Company to be the beneficial owners of more than five percent of the outstanding common stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class Outstanding
Capital Research & Management Company 333 South Hope Street, 55th Floor Los Angeles, California 90071	22,215,880	8.3(1)
Massachusetts Financial Services Company 500 Boylston Street 15th Floor Boston, Massachusetts 02116	13,827,032	5.65(2)

(1) As reported on statements made on Schedule 13G filed with the Securities and Exchange Commission on February 13, 2003 on behalf of Capital Research & Management Company. According to the report, the amount shown includes 67,530 shares resulting form the assumed conversion of 428,490 shares of convertible preferred securities, due November 1, 2004; and includes 523,350 shares resulting from the assumed conversion of 325,000 shares of the Convertible Preferred PIES, due February 19, 2003.

(2) As reported on statements made on Schedule 13G filed with the Securities and Exchange Commission on February 13, 2003 on behalf of Massachusetts Financial Services Company. According to the report, the amount shown includes 906,799 shares which may be acquired through the conversion of convertible preferred securities, due November 1, 2004.

The following table contains information about the beneficial ownership of the Company s common stock as of March 1, 2003, for each of the directors, nominees and named executive officers, and for all directors and executive officers as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)(2)
Stephen P. Adik	612,237
Steven C. Beering	10,628
Arthur J. Decio	10,500
Dennis E. Foster	12,561
Gary L. Neale	1,529,158
Ian M. Rolland(3)	26,777
John W. Thompson	15,633
Robert J. Welsh	14,000
Carolyn Y. Woo	4,000
Roger A. Young	33,091
Patrick J. Mulchay	404,875
Michael W. O Donnell	110,623
Mark D. Wyckoff	180,768
Jeffrey W. Yundt	416,910
S. LaNette Zimmerman	104,549
All directors and executive officers as a group	3,695,468

(1) The number of shares owned includes shares held in the Company s Automatic Dividend Reinvestment and Share Purchase Plan, shares held in the Company s Tax Deferred Savings Plans (the 401(k)), Employee Stock Purchase Plan and restricted shares awarded under the Company s 1988 and 1994 Long-Term Incentive Plans (the Incentive Plans) and Nonemployee Director Stock Incentive Plan, where

applicable. The percentage of common stock owned by all directors and executive officers as a group is approximately 1.41 percent of the common stock outstanding as of March 1, 2003.

(2) The totals include shares for which the following executive officers have a right to acquire beneficial ownership, within 60 days after March 1, 2003, by exercising stock options granted under the Incentive Plan: Stephen P. Adik 357,097 shares; Gary L. Neale 944,441 shares; Patrick J. Mulchay 287,579 shares; Michael W. O Donnell 56,294 shares; Mark D. Wyckoff 117,499 shares; Jeffrey W. Yundt 287,579 shares; S. LaNette Zimmerman 44,305 shares; and all executive officers as a group 2,091,356 shares.

(3) The number of shares owned by Mr. Rolland includes 9,277 shares owned by the Ian and Miriam Rolland Foundation over which Mr. Rolland maintains investment control, but for which Mr. Rolland disclaims beneficial ownership.

EXECUTIVE COMPENSATION

Nominating and Compensation Committee Report on Executive Compensation

The Nominating and Compensation Committee s compensation policy is designed to relate total compensation (base salary, annual incentives and long-term stock-based compensation) to corporate performance. This policy applies to all of the Named Officers, including the Chief Executive Officer, as of December 31, 2002. The Committee discusses and considers executive compensation matters, then makes recommendations to the full board of directors, which takes the final action on these matters. The board of directors accepted all of the Committee s recommendations in 2002.

The Committee has engaged Hewitt Associates, an independent compensation consulting firm, to advise it and provide surveys of comparative compensation practices for (1) a group of energy-oriented companies, including electric, gas or combination utility companies, diversified energy companies and companies with gas marketing, transmission and distribution operations and energy services operations, and (2) a diversified group of companies representing general industry. The 2002 executive compensation comparative groups consisted of 37 and 36 companies, respectively, from which data was available to Hewitt and which the Committee believed to be competitors of the Company for executive talent. The Committee may change the companies contained within the comparative compensation groups in future years if information about any company included in a group is not available, any companies included in a group are no longer competitors for executive talent, or if the Committee determines that different energy or other types of companies are competitors of the Company. The Company s comparative compensation groups include some, but not all, of the companies that make up the Dow Jones Utilities Index used in the Stock Price Performance Graph and consist of a larger number of companies than contained in the index.

The Committee considers the surveys provided by Hewitt in determining base salary, annual incentives and long-term stock-based compensation. The Committee s philosophy is to set conservative base salaries at or near the medians of the energy and general industry comparative groups, and to supplement them with restricted/contingent stock awards and performance-based variable compensation in the form of annual incentives under the Annual Incentive Plan and option grants under the Long-Term Incentive Plan. This mix of compensation allows an executive s annual total compensation to fluctuate according to the Company s financial performance. Through the use of stock options and annual incentives, the Committee continues to provide a performance based component to compensation. The Company s long-term incentive awards are stock-based (for example, stock options, restricted stock awards and contingent stock awards) to emphasize long-term stock price appreciation and the concomitant increased stockholder value. In 2002, total compensation of the executive officers was targeted between the 50th and the 75th percentile of the relevant comparative compensation group.

In establishing Mr. Neale s base salary for 2002, the Committee reviewed information provided by Hewitt regarding the chief executive officer compensation practices of comparable utility and energy companies. The Committee determined to set base salary near the median salary of the comparative group, giving regard to Mr. Neale s proven abilities and strong performance with the Company since joining it as Executive Vice President and Chief Operating Officer in 1989. As with the other executive officers, Mr. Neale s total compensation was targeted to be between the 50th and the 75th percentile of the relevant comparative compensation group, depending upon the Company s financial performance. As with the other executives, Mr. Neale s annual incentive under the Annual Incentive Plan is based on the Company s performance against certain financial performance targets established by the Committee. As part of his total compensation package Mr. Neale also received stock options in 2002 as part of the company s stock option program under which awards are made to various management employees of the Company and its subsidiaries. Because the value of the options to Mr. Neale is a function of the price growth of the company s stock, the amount Mr. Neale would realize from his options is tied directly to increases in shareholder value.

The Committee determines annual incentive targets for all executive officers in accordance with the Annual Incentive Plan. Each year, the Committee approves certain financial performance targets to be included in the formula set forth in the Annual Incentive Plan for awarding annual incentives. Annual incentives awarded to each of the Named Officers (including the Chief Executive Officer) are based on overall corporate performance, rather than individual performance of the executive. In 2002, targets were based on earnings per share, while in 2003, targets will be based on net income from continuing operations. The Annual Incentive Plan establishes a threshold level of financial performance (below which no annual incentive is paid), a target level, and a maximum level (above which no additional annual incentive is paid). The range of awards and levels of awards (as a percent of base salary), if financial performance thresholds are achieved, are as follows:

	Range	Award If Targets Met
Chief Executive Officer	40 to 120 %	80%
Vice Chairman	35 to 105 %	70%
Chief Operating Officer	35 to 105 %	70%
President and Executive Vice Presidents	32.5 to 97.5%	65%
Other Vice Presidents	20 to 75 %	40% - 50%

The Committee determined that the Company would have met the threshold set under the Annual Incentive Plan had the Company not taken a charge to earnings in connection with the Company s decision to exit the telecommunications business, a business acquired by the Company as part of the acquisition of Columbia Energy Group. Therefore, while the Company s actual earnings per share in 2002 were lower than threshold, the Committee awarded the Company s eligible employees, including the executive officers, a discretionary bonus which in each case was less than the minimum annual incentive that would have been paid if threshold had been met under the Annual Incentive Plan.

In addition to base salaries and annual incentives, executive officers are also eligible to receive stock-based awards under the Company s Long-Term Incentive Plan. Under the Long-Term Incentive Plan, the Committee may award stock options, stock appreciation rights, performance units, restricted stock awards, contingent stock awards and dividend equivalents. The Committee considers base salaries of the executive officers, prior awards under the Long-Term Incentive Plan, and the Company s total compensation target in establishing long-term incentive awards. For purposes of determining the number of options and/or shares to be granted to reach total target compensation, options granted to executive officers are valued using the Black-Scholes option pricing model at the time of grant and restricted stock awards and contingent stock awards granted to executive officers are valued using Hewitt s present value pricing model. In 2002, stock options were awarded to each of the Named Officers, and the number of options granted to each Named Officer was based on these considerations. The compensation value of stock options depends on actual stock price appreciation.

The Committee s compensation policy continues to be re-evaluated in order to ensure that the executives total compensation packages align with and support the Company s business objectives while also aligning the interests of the executive officers with the Company s performance as well as the interests of its stockholders. In that regard, the Committee believes that compensation packages should emphasize long-term growth and stability, while continuing to provide incentives for short-term appreciation. As such, the Company s long term stock-based compensation has become more focused on grants of restricted stock and contingent stock, with longer vesting and holding periods, versus stock options. The ratio of the value of the contingent/restricted stock awards to option grants is now approximately 75% to 25%. While historically contingent and restricted stock awards contained certain performance vesting criteria (and grants of contingent stock made in 2000 and 2001 still contain these performance criteria), these vesting criteria resulted in variable, mark to market accounting treatment, requiring quarterly adjustments to net income that were not reflective of the Company s financial performance from operations. The Committee determined that it was in the best interests of the Company and its stockholders to retain, as part of the total compensation package, grants of restricted and contingent stock which were tied to the performance of the Company, but that avoided the negative impact associated with variable accounting treatment.

Therefore, beginning in 2003, grants of restricted stock and contingent stock under the Long Term Incentive Plan will be made pursuant to a new Time Accelerated Restricted Stock Award Program (TARSAP). Restrictions with respect to awards will lapse at the end of a three year performance cycle if the Company meets both a peer group target and an absolute target. For the performance cycle commencing on January 1, 2003 and ending on December 31, 2005 the peer group target is a 60th percentile for relative total shareholder return ranking and the absolute earnings target is a 12% annualized compound total shareholder return. If both of the targets are not met, restrictions with respect to an award will not lapse at the end of a three year performance cycle but will lapse on the sixth anniversary of the date of grant of the award. The TARSAP program provides a compensation component which aligns the Company s interest in stable long-term growth and the stockholders interests in tying executive compensation to Company performance.

Section 162(m) of the Internal Revenue Code provides that compensation in excess of $1,000,000 per year paid to the chief executive officer or any of the other Named Officers, other than compensation meeting the definition of performance based compensation, will not be deductible by a corporation for federal income tax purposes. Because a significant portion of total compensation is performance based and certain executives have agreed to limitations on the amount of certain grants under the Long-Term Incentive Plan which can vest in any year, the Committee does not anticipate that the limits of Section 162(m) will materially affect the deductibility of compensation paid by the Company in 2002. However, the Committee will continue to review the deductibility of compensation under Section 162(m) and related regulations.

The Committee believes that its overall executive compensation program has been successful in providing competitive compensation sufficient to attract and retain highly qualified executives, while at the same time encouraging increased performance from the executive officers which creates additional stockholder value.

Nominating and Compensation Committee
Steven C. Beering, Chairman
Arthur J. Decio
Robert J. Welsh

March 17, 2003

STOCK PRICE PERFORMANCE GRAPH

The following graph compares the yearly change in the Company s cumulative total stockholder return on common stock (for both the Company and its corporate predecessor NiSource Inc. (incorporated in Indiana)) from 1997 through 2002, with the cumulative total return on the Standard & Poor s 500 Stock Index and the Dow Jones Utilities Average, assuming the investment of $100 on December 31, 1997 and the reinvestment of dividends.

	1997	1998	1999	2000	2001	2002
NiSource	100.00	127.56	78.02	141.60	110.91	102.03
S & P 500	100.00	128.58	155.63	141.49	124.68	97.14
DJ Utilities	100.00	118.83	111.94	168.42	124.48	95.75

Compensation Of Executive Officers

Summary. The following table summarizes compensation for services to NiSource and its corporate predecessor NiSource Inc. (incorporated in Indiana) and their subsidiaries for the years 2002, 2001 and 2000 awarded to, earned by or paid to the Chief Executive Officer, the four other most highly compensated executive officers and two other individuals who would have been one of the four most highly compensated executive officers of the Company had each such individual remained an executive officer of the Company as of December 31, 2002 (collectively these individuals constitute the Named Officers).

		Annual Compensation(1)			Long-Term Compensation		
					Awards	Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($)(2)	Other Annual Compen-sation ($)(3)	Securities Under-lying Options/ SARS (#)	Long-Term Incentive Plan Payouts ($)(4)	All Other Compen-sation ($)(5)
Gary L. Neale,	2002	950,000	361,000	105,943	194,064	0	18,827
Chairman, President and	2001	950,000	0	9,774	160,377	285,000	22,273
Chief Executive Officer	2000	800,000	1,060,000	9,985	250,000	2,340,665	28,240
Stephen P. Adik,	2002	500,000	166,250	7,174	68,493	190,341	4,493
Vice Chairman	2001	500,000	0	4,337	56,604	0	4,796
	2000	425,000	526,250	15,258	90,000	1,058,738	5,284
Michael W. O Donnell(6)	2002	400,000	123,500	12,183	30,822	492,339	24,000
Executive Vice President and	2001	400,000	0	2,385,937(7)	25,472	0	24,850
Chief Financial Officer	2000	325,000	273,000	0	0	0	24,000
S. LaNette Zimmerman(8)	2002	304,166	98,000	2,583	24,258	582,776	1,221
Executive Vice President,	2001	291,650	0	11,870	20,047	0	0
Human Resources and Communications	2000	246,356	0	0	0	0	0
Mark D. Wyckoff(9)	2002	295,000	91,085	54,405	22,831	622,734	1,221
President,	2001	295,000	0	0	18,868	0	583
Energy Technologies	2000	200,000	140,000	0	30,000	37,562	584
Patrick J. Mulchay(10)	2002	400,000	130,000	1,046	41,391	381,576	9,156
Group President,	2001	392,821	0	8,064	34,198	0	5,883
Merchant Energy	2000	375,000	253,125	3,253	75,000	1,058,738	5,948
Jeffrey W. Yundt(10)							