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LETTER OF COMMENT NO. **SI**

Financial Accounting Standards Board
Technical Director - File Reference No: 1025-300
401 Merritt 7
P. O. Box 5116
Norwalk, Connecticut 06856-5116

Sent via email to: director@fasb.org

RE: Exposure Draft – Proposed Statement of Financial Accounting Standards –
Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an
amendment of FASB Statements No. 87, 88, 106 and 132 (R).

Dear Director:

NiSource would like to take this opportunity to comment on the Financial Accounting Standards Board (FASB) Exposure Draft of Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132 (R).

NiSource agrees with FASB's objective of this Exposure Draft, which is to make employers' financial statements with respect to pension and other postretirement plans more complete and understandable. While NiSource agrees with the Exposure Drafts' overall objective, NiSource would like to submit comments on three areas of concern: requirement to recognize a plan's overfunded or underfunded status in the employer's statement of financial position, measurement date, and effective date and transition.

NiSource's responses to Issues which the Board requested comments:

Requirement to Recognize a Plan's Overfunded or Underfunded Status in the Employer's Statement of Financial Position

The Exposure Draft is proposing to require the recognition of a plan's overfunded or underfunded status measured as the difference between the fair value of the plan assets and the Projected Benefit Obligation (PBO) for pension plans. NiSource believes that using the Accumulated Benefit Obligation (ABO) results in a better measurement of a

company's pension liability because using the PBO would, in our opinion, result in recognizing an inflated liability inconsistent with the characteristics of a liability as set forth in FASB Concept Statement No. 5. FASB Concept Statement No. 5 defines the characteristics of a liability as "a) it embodies a present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assets at a specified or determinable date, on occurrence of a specified event, or on demand, (b) the duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice, and (c) the transaction or other event obligating the entity has already happened." Since the PBO is calculated using estimated future compensation levels it would not correctly reflect the present liability as of the balance sheet date. Future compensation levels are not present obligations and are not obligating transactions that have already occurred. Employers have discretion over staffing levels, the level of future compensation, whether to modify or "freeze" pension plans and whether to provide pension plans in the future. Therefore, NiSource believes that the PBO is inconsistent with the characteristics of a liability, and that the ABO should continue to be used in the measurement of the underfunded or overfunded status and recognition of an asset or liability position in the statement of financial position.

In response to FASB's concern that excluding future compensation from the liability is inconsistent with the inclusion of it in the net periodic pension cost, NiSource would like to comment that the Exposure Draft deals with enhancing the statement of financial position and most significantly, recording the funded status of all plans on the balance sheet. It is our understanding that Phase II of the project will address all aspects of pension accounting including recognition of income and expenses.

Issue 2 & 4: Measurement Date

The Exposure Draft is proposing to include a requirement to use a measurement date as of the date of the financial statements and eliminate the current option to use a measurement date of up to 90 days before the fiscal year ends. NiSource believes that the current option to use a measurement date of up to 90 days before the fiscal year ends should be retained because of possible risks associated with annual 10-K disclosures and recording of estimated expenses for the upcoming year.

NiSource does not believe that the proposed requirement to use a measurement date as of the date of the financial statements will allow for sufficient time to accurately prepare pension and other postretirement benefit disclosures. This proposed requirement would reduce the time NiSource's actuary has to complete their analysis and reduce the time that NiSource has to review and prepare disclosures which could increase the risk of inaccuracy and the ability to meet deadlines. NiSource is an accelerated filer and must comply with future accelerated filer deadlines.

NiSource believes that the proposed requirement to use a measurement date as of the date of the financial statements could impact the recording of pension and other postretirement

benefits expenses. Given the time restraint, NiSource's actuary will not be able to provide an accurate expense calculation for pension and other postretirement benefits. An estimate would likely have to be used for the first few of months until a more accurate measurement of expense is available to use. This use of an estimate has the potential risk of starting the year with inaccurate expenses. This would create issues for the development of the financial plan for the upcoming year. Plans are established at the end of each calendar year and used to communicate expectations to the board of directors and external constituents, including investment analyst and rating agencies. Significant variations to the plan could have serious consequences. This could also impose Sarbanes Oxley issues and impact other business and financial decisions.

Issue 3(a) & (b)

Effective Date and Transition

The Exposure Draft is proposing the requirement to recognize the funded status of pension and other postretirement plans and the related disclosure requirements effective for fiscal years ending after December 15, 2006. NiSource believes that more time will be needed to accurately implement these new requirements since the funded status and related disclosure requirements will take time to prepare and implement. Additionally, NiSource needs time to fully understand the potential issues which would result from recognizing a potential reduction in equity.

In response to the FASB's request to understand contractual arrangements, NiSource believes the proposed rules could impact regulatory filings and rate case proceedings. Calculations of return on equity and cost recovery mechanisms that allow for a return on investment will need to be evaluated in each jurisdiction that have regulated operations. This will be a significant undertaking.

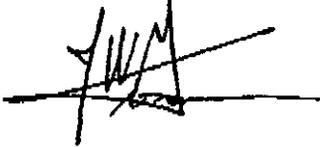
In addition, a change in equity could impact NiSource's credit ratings. A change in credit ratings would have implications relative to short-term borrowing cost under existing credit facilities and also on future borrowings costs for new issuances in the debt capital markets.

The Exposure Draft is also proposing the requirement for public entities to change the measurement date to the year-end reporting date effective for fiscal years beginning after December 15, 2006. NiSource believes that more time will be needed to accurately implement this new requirement since the change in measurement date will require NiSource's actuary to prepare requirements without the benefit of the 90 day delay. More time will be needed to prepare for, obtain actuarial data and establish procedures to ensure data is accurate. The proposed requirement would also impact NiSource's expenses, as discussed above, regarding the use of estimates for the first couple of months since a more accurate measurement of expense would not be available until a later date.

Conclusion

NiSource supports the Exposure Draft's overall objective to make employers' financial statements with respect to pension and other postretirement benefit plans more complete and understandable. NiSource appreciates the opportunity to contribute responses to the Exposure Draft and hopes that our views relating to the measurement of funded status, the measurement date and effective date will be helpful to you in your deliberations.

Sincerely,

A handwritten signature in black ink, consisting of several vertical and diagonal strokes, positioned below the word "Sincerely,".