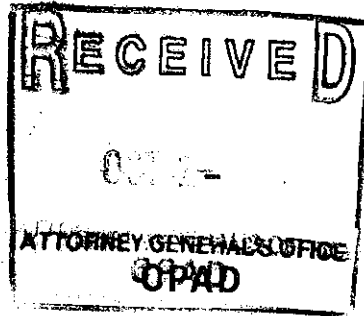


Mark R. Kempic
Assistant General Counsel
Legal Department



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September 25, 2008

Office of Attorney General Martha Coakley
ATTN: Scott Schafer
Consumer Protection Division
1 Ashburton Place
Boston, MA 02108

Office of Consumer Affairs and Business
Regulation
ATTN: David Murray
10 Park Plaza
Suite 5170
Boston, MA 02116

Dear Gentlemen:

As per our telephone discussion, I am writing to you pursuant to Massachusetts G.L. c. 93H, to notify you that Bay State Gas Company ("Bay State") recently experienced a security breach of a limited amount of customer information contained within its gas utility customer database between August 18 and September 3, 2008. This letter describes the nature of the breach of security, the number of residents of the Commonwealth affected by such incident, and the steps taken relating to the incident.

Due to a technical error in the computer system that permits customers to view their own bills over the internet, ten (10) bills for Bay State customers were erroneously displayed electronically to other customers who were attempting to view their own bills. In addition, one (1) customer's bill information was displayed electronically because several customers used the same user name and password when they created login accounts for Bay State's self-service website. Bay State has no reason to believe that any of this bill information was used inappropriately, and we have not reported the incident to law enforcement. We regret that this incident occurred and we wanted to explain the steps that Bay State has taken to help protect this information.

The Bay State bill includes the customer's name, address, account number, gas consumption, past payment, current balance and current charges. For ten customers, this is the only identifying information that was viewed by someone else. The Bay State web-site account information provides all of this information plus the customer's telephone number. For one customer, the customer's name, address, account number, gas consumption, past payment, current balance and current charges and phone number was displayed. Importantly, neither the Bay State bill nor the web-site account information includes the customer's bank account information, social security number or credit card information, so none of this information was viewed by any unauthorized person.

Protecting our customers' information has always been a high priority of Bay State. To prevent unauthorized changes to customer accounts, Bay State customer service representatives always ask callers to provide the last four digits of their social security number to ensure that only authorized callers can make account changes. Bay State

has worked with the vendor of the computer system that is used by customers to view their bills over the internet to take the steps necessary to prevent this from happening again.

While we have no reason to believe that customer information has been or will be improperly used elsewhere as a result of this incident, we provided letters to each of the eleven customers in which we encouraged them to learn more about identity theft and the steps they can take to protect themselves. A copy of the form of the letter to customers is attached. We also advised them of their rights to request a police report, and their right to request a "security freeze" on their consumer report pursuant to Massachusetts G.L. c. 93H. Finally, we advised the affected customers to be knowledgeable and vigilant about identity theft and we provided contact information for the Federal Trade Commission and a link to the Massachusetts Attorney General's identity theft advisory page.

Please understand that Bay State considers customer privacy to be very important and we regret that this incident has occurred. If you have any questions, please feel free to contact me at 724.416.6328

Sincerely,

Handwritten signature of Mark Kempic in black ink, with the initials 'Km' at the end.

Mark Kempic

cc: Steve Bryant, President, Bay State Gas Company
Carol Fox, Executive Vice President Customer Engagement, NiSource Corporate Services Company

MASSACHUSETTS - LETTER TO CUSTOMERS WHOSE INFORMATION WAS VIEWED

September 25, 2008

I am writing to notify you that your Bay State Gas Company ("Bay State") bill has been electronically viewed by someone other than you. Due to a technical error in the computer system that permits customers to view their own bills over the internet, an image of your bill was erroneously displayed to someone who was attempting to view their own bill between August 18 and September 3, 2008. While I have no reason to believe that your bill information was used inappropriately, I regret that this incident occurred and we wanted to explain the steps Bay State has taken to help protect your information.

As you know, your Bay State bill includes your name, address, account number, gas consumption, past payment, current balance and current charges. This is the only identifying information that was viewed by someone else. Importantly, your Bay State bill does *not* include your phone number, bank account information, social security number or credit card information, so none of this information was viewed by any unauthorized person.

Protecting our customers' information has always been a high priority of Bay State. To prevent unauthorized changes to your Bay State account, Bay State customer service representatives always ask callers to provide the last four digits of their social security number to ensure that only authorized callers can make account changes. Bay State has worked with the vendor of the computer system that is used by customers to view their bills over the internet to take the steps necessary to prevent this from happening again.

Under Massachusetts law, you have a right to request a police report when there has been a security breach of your personal information; however, no such report was filed in this instance because we have no reason to believe that your information has been or will be improperly used elsewhere. You also have the right to file a police report, and obtain a copy of it.

Under Massachusetts law, you also have a right to request a security freeze on your credit reports. The security freeze will prohibit a credit reporting agency from releasing any information in your credit report without your express authorization. However, you should be aware that placing a security freeze on your credit report may delay, interfere with, or prevent the timely approval of any requests you make for new loans, credit, mortgages, employment, housing, or other services.

Massachusetts law permits credit reporting agencies to charge a reasonable fee, not to exceed \$5, to a consumer who elects to freeze, lift or remove a freeze to a credit report, except that a credit reporting agency will not charge a fee to a victim of identity theft or his spouse, provided that the victim has submitted a valid police report relating to the identity theft to the credit reporting agency.

A security freeze may be requested by sending a request either by certified mail, overnight mail or regular stamped mail to each of the three major credit reporting agencies at the addresses below:

Equifax Security Freeze
P.O. Box 105788
Atlanta, GA 30348

Experian Security Freeze
P.O. Box 9554
Allen, TX 75013

Trans Union Security Freeze
Fraud Victim Assistance Department
P.O. Box 6790
Fullerton, CA 92834

In order to request a security freeze, you will need to provide the following information:

1. Your full name (including middle initial and any suffix);
2. Social Security Number;
3. Date of Birth;
4. Current address and any addresses where you have lived over the past five years;
5. Proof of current address such as a current utility bill or telephone bill;
6. A legible photocopy of a government issued identification card (state driver's license or ID card, military identification, etc);
7. If you are the victim of identity theft, include a copy of either the police report, investigative report, or complaint to a law enforcement agency concerning identity theft;
8. If you are not a victim of identity theft, include payment by check, money order, or credit card (Visa, MasterCard, American Express, or Discover only). Do not send cash through the mail.

The credit reporting agencies have three business days after receiving your request to place a security freeze on your credit report. The credit bureaus must also send written confirmation to you within five business days and provide you with a unique personal identification number (PIN) or password, or both that can be used by you to authorize the removal or lifting of the security freeze.

To lift the security freeze in order to allow a specific entity or individual access to your credit report, you must call or send a written request to the credit reporting agencies by mail and include proper identification (name, address, and social security number) and the PIN number or password provided to you when you placed the security freeze as well as the identities of those entities or individuals you would like to receive your credit report or the specific period of time you want the credit report available. The credit reporting agencies have three business days after receiving your request to lift the security freeze for those identified entities or for the specified period of time.

To remove the security freeze, you must send a written request to each of the three credit bureaus by mail and include proper identification (name, address, and social security number) and the PIN number or password provided to you when you placed the

security freeze. The credit bureaus have three business days after receiving your request to remove the security freeze.

The Massachusetts Attorney General website provides information and advice relating to identity theft. You can visit the website at <http://www.mass.gov/?pageID=cagosubtopic&L=4&L0=Home&L1=Consumer+Protection&L2=Scams+and+Identity+Theft&L3=Identity+Theft&sid=Cago>

The Federal Trade Commission's website also provides information on identity theft as well as practical tips on how to prevent it. You can visit the website at <http://www.ftc.gov/bcp/edu/microsites/idtheft/>

Please know that Bay State considers your privacy to be very important and we thank you for your continued trust in us and in the security of our self-service website. We want to encourage you to visit the web site or to call us at 866.317.9715 if you have any questions about your account or about this situation.

Sincerely,