Gary L. Neale

Chairman & Chief Executive Officer
NiSource Inc.

Stockholder Information

NiSource Inc. common stock is listed and traded on the New York, Pacific and Chicago stock exchanges under the symbol NI. The shares are listed in financial stock quotations as NISOURCE. As of Dec. 31, 2004, NiSource Inc. had 50,020 registered common stockholders.

Common Stock Dividend Declared
At its meeting on Jan. 6, 2005, the board of directors declared a quarterly dividend of $0.23 per share, equivalent to $0.92 per share on an annual basis.

Anticipated Dividend Record and Payment Dates

NiSource Common

Record Date	Payment Date
04-29-05	05-20-05
07-29-05	08-19-05
10-31-05	11-18-05
01-31-06	02-20-06

NIPSCO Preferred

Record Date	Payment Date
03-16-05	04-14-05
06-16-05	07-14-05
09-16-05	10-14-05
12-16-05	01-13-06

Investor and Financial Information
Financial analysts and investment professionals should direct written and telephone inquiries to NiSource Investor Relations at 801 E. 86th Ave., Merrillville, IN 46410 or (219) 647-6083.

Free copies of NiSource's financial reports are available by writing or calling the Investor Relations department at the address or phone number listed above. The materials are also available at www.nisource.com.

Stockholder Services
General questions about stockholder accounts, stock certificates, transfer of shares, dividend payments, automatic dividend reinvestment and stock purchase plan, and electronic deposit may be directed to Mellon Human Resources & Investor Solutions at the following:

Mellon Human Resources &
Investor Solutions
P.O. Box 3315
South Hackensack, NJ 07606
or
85 Challenger Road
Ridgefield Park, NJ 07660

(888) 884-7790

TDD for Hearing Impaired
(800) 231-5469

Foreign Stockholders
(201) 329-8660

TDD Foreign Stockholders
(201) 329-8354

www.melloninvestor.com

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Investor Relations
(219) 647-6083

Media Inquiries
Communications
(219) 647-6200

NiSource Inc.   801 E. 86th Ave.   Merrillville, IN 46410   www.nisource.com

This document contains "forward-looking statements," including earnings guidance for fiscal year 2005. For a discussion of factors that could cause actual results to differ materially from those contained in such statements, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the NiSource Inc. annual report on Form 10-K included herein.

The certifications of our Chief Executive Officer and the Chief Finanical Officer have been included as Exhibits 31.1 and 31.2 to our Form 10-K, as required by the Sarbanes-Oxley Act. In addition, in 2004, our Chief Executive Officer provided to the New York Stock Exchange the annual Chief Executive Officer certification regarding our compliance with the New York Stock Exchange's corporate governance listing standards.

NiSource Inc.

2004 Message to Stockholders

"It is not the strongest
of the species that survive,
nor the most intelligent,
but the one most
responsive to change."
Charles Darwin

The Art of Transformation
NiSource Inc. 2004

“A permanent state of transition is man’s most noble condition.” *Juan Ramon Jimenez*

Dear Fellow Stockholder:

We all know that change is nothing new. In fact, a few thousand years ago, an ancient Greek philosopher, Heraclitus, said:

“You can’t step twice into the same river,” and **“Nothing is permanent but change.”**

Those words are even more true today in the energy industry.

We’ve certainly experienced a series of cyclical changes in the last 15 years in our part of the industry. Since 1990, our industry has come full circle: from bricks-and-mortar, rate-regulated utilities to high-growth “energy” conglomerates driven by non-regulated activities and commodity trading, and back to the current asset-based regulated utilities. Anticipation of business cycles drove our vision 10 years ago to transform NIPSCO Industries, Inc., a steel industry-dependent local combination utility, into the super-regional integrated natural gas company that NiSource is today.

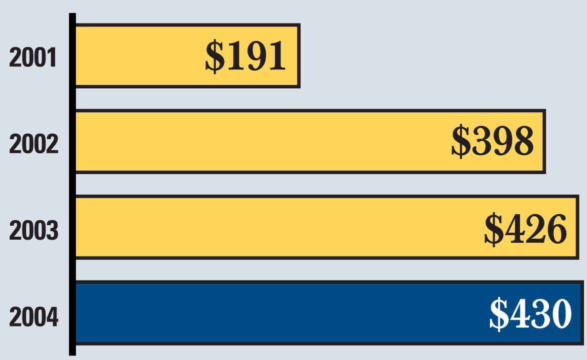
Believing that a relatively small, predominantly electric utility would be hard pressed to survive – much less grow – we embarked on a disciplined effort to reposition our company. NiSource today derives 100 percent of its operating income from regulated operations, and is predominantly a natural gas company serving a market area covering 30 percent of the U.S. population and 40 percent of the nation’s energy consumption. NiSource has access to every major U.S. natural gas supply source, including the Gulf of Mexico, the Chicago Hub, the Appalachian Basin and liquefied natural gas (LNG) terminals. We serve the key energy consumption markets in the Midwest, Mid-Atlantic and New England regions. We are also the leader in market area storage for natural gas.

On the pages that follow, we will describe for you what the transformation that NiSource set in motion means for you, our stockholders, and how our business strategy will grow the company and your investment in the future. We hope you agree that we’re embarking on an exciting and prosperous new era.

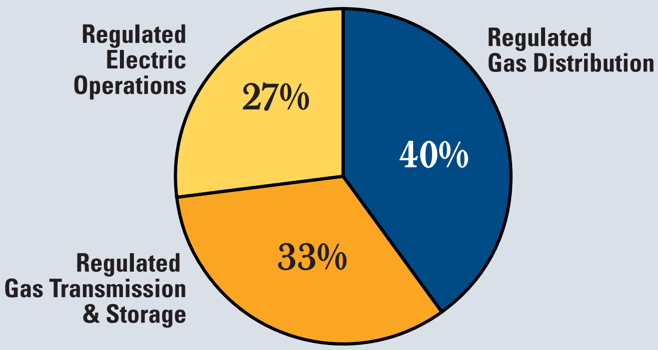
A Financially Strong 2004

The year 2004 represented an important step in NiSource’s transformation. We reported yet another year of improved income from continuing operations, despite the impact of unfavorable weather on the company’s natural gas and electric utility businesses. Summer temperatures were significantly cooler than normal in our northern Indiana electric market, while weather in our natural gas markets was somewhat warmer than normal for the year. We continued to hold the line on operation and maintenance costs, strengthened our balance sheet and lowered interest expense. These positive efforts largely offset the adverse impact of weather.

Income from Continuing Operations
(in millions)



2004 Operating Income



"If you focus on results, you will never change. If you focus on change, you will get results." *Jack Dixon*

Debt reduction remains one of our primary financial objectives, an objective toward which we have already made significant progress. After the acquisition of the Columbia Energy Group in 2000, NiSource had about $8 billion in debt, or a 68 percent debt-to-capitalization ratio. At the end of 2004, our debt level was down to about $6 billion, or about a 57 percent debt-to-capitalization ratio.

We have not only reduced our debt by $2 billion, but we have restructured the components of our debt as well. At the end of 2004, NiSource's short-term debt stood at about $300 million, down from $2.5 billion four years earlier. And, in fact, the $300 million was less than the short-term working capital needs of the company. This is important because the bond markets and credit rating agencies view our overall debt structure more favorably when there is a closer balance between short-term working capital needs and short-term debt on the balance sheet.

As this report goes to press in mid-March, NiSource has no short-term debt outstanding, and more than $300 million of short-term cash investments.

Other major accomplishments during 2004 included the implementation of regulatory and commercial strategies in key states that benefit both customers and stockholders, such as the renewal of Customer CHOICE[sm] in Ohio. Also, the NiSource pipelines completed the renegotiation of long-term contracts with their largest customers and made notable progress with several major transmission, storage and access expansion initiatives.

A Balanced and Focused Growth Strategy

The first major step in this business strategy was to ensure consistency of leadership for the growth years beyond 2005. On October 26, 2004, the Board of Directors elected Bob Skaggs, a 24-year veteran of the company, to the position of President of NiSource. We have been working together since then as the Office of the Chairman to set in motion the long-term strategy that will continue to build a strong foundation for growth in stockholder value for years to come.

We consider 2005 a base year, from which we will continue expanding the foundation to generate future growth and development. It will be a year of slightly lower earnings expectations as we meet the following challenges:

- Current-year revenue reductions from regulatory proceedings.
- A full year's financial impact of pipeline renegotiations with major customers.
- Higher depreciation expenses and a rising interest rate environment.
- Increased capital spending to expand and grow our core businesses.

The objective of our transformation process for 2005 and beyond is long-term, sustainable growth – growth without

Total Debt (in millions)

	12/31/01	12/31/02	12/31/03	12/31/04
Short-Term Debt	$1,854	$913	$686	$307
Current Maturities	$411	$1,225	$118	$1,300
Long-Term Debt	$6,065	$4,850	$5,993	$4,836
Total Debt	$8,330	$6,988	$6,797	$6,443

"We must obey the great law of change. It is the most powerful law of nature." *Edmund Burke*

undue risk. NiSource's approach is balanced, and focused on our income statement and both sides of the balance sheet. Our growth strategy is hard-asset based and centered on four key initiatives:

- Pipeline growth and expansion.
- Broad regulatory and commercial initiatives premised on existing assets.
- Ongoing financial management of our balance sheet.
- Aggressive cost management.

We are committed to following this disciplined approach and growing earnings in future years. This will enable us, as early as 2006, to reevaluate our quarterly dividend payout. We continue to believe that a dividend payout ratio of 55 percent to 60 percent of earnings is in the best interest of the company and our stockholders, and we anticipate that with earnings growth will come dividend growth.

NiSource has responded to our industry's "back to basics" focus on regulated core businesses with a simple, clear and balanced business strategy designed to address short-term financial challenges, while establishing a platform for long-term, sustainable growth.

Our Strengths Provide Competitive Advantage

NiSource today derives 100 percent of its operating income from regulated operations. We operate the third largest natural gas distribution business in the United States, serving 3.3 million customers in nine states; the fourth largest pipeline business in the nation, with approximately 16,000 miles of interstate pipelines; one of the largest gas storage networks in the country, with approximately 646 billion cubic feet (Bcf) of capacity within our market area; and a mid-size regional electric business serving 446,000 customers in northern Indiana operating with 3,392 megawatts of generating capacity.

We plan to further capitalize on this market position and our key strengths, which include:

- Our extensive footprint and strategic location, serving a market area covering 30 percent of the U.S. population and 40 percent of U.S. energy consumption.
- Our tactical access to the major natural gas supply points in the U.S., including planned new LNG facilities.
- Our expertise in developing innovative, win-win solutions with regulators and our customers.
- Our cost management discipline, which has helped us reduce operation and maintenance expenses by nearly $200 million in the last four years.
- Our employee team, which has great depth of experience and industry knowledge and which capably provides safe, reliable service to our 3.7 million gas and electric customers every day.

2005 Initiatives Provide Earnings Potential

The year 2005 will set the stage for earnings growth in 2006 and beyond, with key initiatives that include:

- **Pipeline Growth.** We are pursuing prime, long-term growth opportunities along our interstate pipeline system, particularly in the Northeast and Mid-Atlantic regions. The new Millennium Pipeline and Hardy Storage projects are two working examples, with more to come.

- **Regulatory and Commercial Initiatives.** We expect steady growth from our core gas and electric businesses. Our gas and electric utilities added more than 60,000 customers last year. We believe rate cases, trackers and other commercial and regulatory initiatives can enhance those core results.

- **Financial Management.** We will continue taking steps to refinance our debt structure, reduce interest costs and maintain our investment grade credit ratings.

- **Cost Management.** To help balance our lower earnings expectations in 2005 with our commitment to greater investment in our core businesses, we are reviewing a range of existing and new processes to help us manage overall costs and free up additional capital for investment.

Pipeline Growth Opportunities Continue

The two largest issues facing the natural gas industry are limited infrastructure and North American supply –

“Two roads diverged in a wood, and I – I took the one less traveled by, and that has made all the difference.” *Robert Frost*

particularly in the growing Northeast gas market. NiSource has the assets and expertise to build infrastructure in the form of pipes and storage that will help solve many of the shortage problems to this key market, while earning attractive investment returns for the company.

Over the past two years, we’ve conducted extensive studies of our entire gas transmission network to determine the best opportunities for NiSource to expand our system into these growing markets. We’ve looked at supply and demand dynamics in our markets.

We did a complete modeling of our pipeline system, long-term, under a variety of supply/demand scenarios. Along the Eastern seaboard, into the Northeast, peak demand is growing and growing, and supply, because of infrastructure, is constrained – and becoming more so every day. As a result, during peak periods, the price of natural gas in parts of the Northeast has reached upwards of $60 per dekatherm (Dth) at times when gas was selling for about $6 to $7 per Dth in the Midwest.

A dwindling supply of Canadian gas imports is also part of the problem. Not only is Canadian production declining, but demand in that country is increasing, which translates to less available gas for the eastern United States. At the same time, demand for natural gas to fuel electric generation in the Northeast is growing by double-digit figures. There is growing production of natural gas in upstate New York, but even here, there are limited pipeline systems to bring this natural gas to market.

Many industry experts continue to point to LNG to help ease the supply and demand imbalance for the region. Considering the lead time required to build new LNG tanker vessels and receiving terminals, LNG probably wouldn’t make a significant impact until 2009 or later – and even then, additional storage will be required to justify the “base load” tankers, along with new pipeline capacity to move the LNG to market.

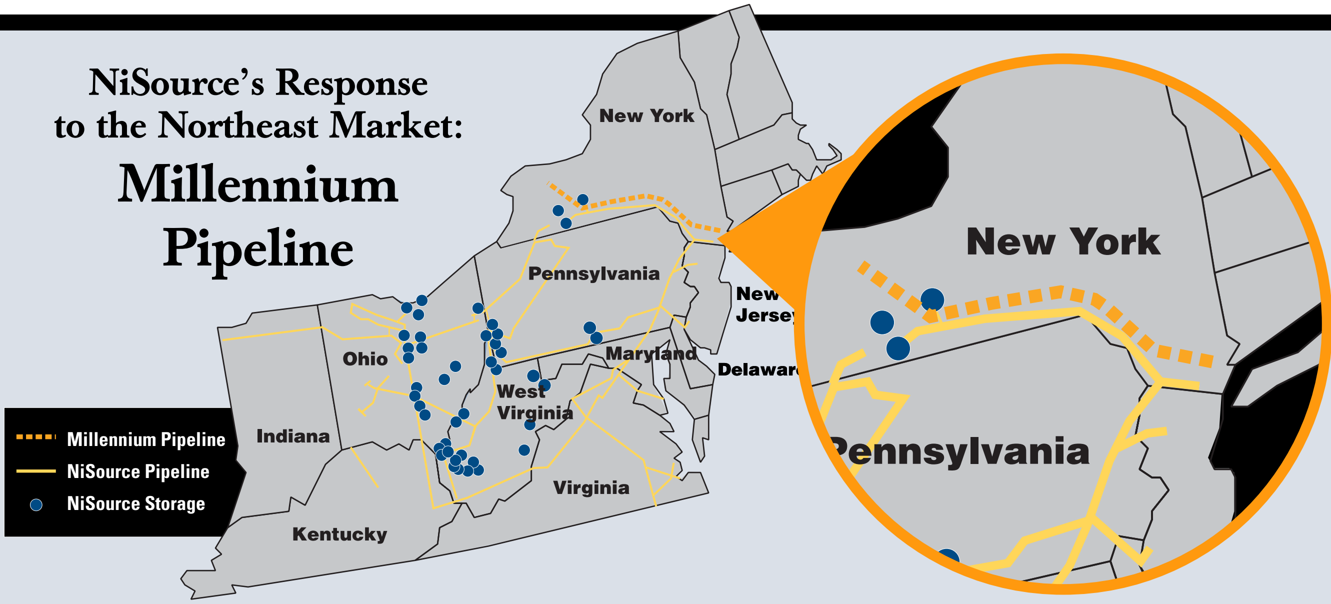
What this means for NiSource is opportunity. Our pipeline and storage facilities will play a major role in the storage and movement of LNG to Northeast markets.

The results of our analysis relating to our Midwest markets, particularly Ohio, show high system utilization and modest growth. We believe that will continue. Market indicators point to continued long-term reliance by Midwest gas utilities on our pipeline system.

In Virginia and the Mid-Atlantic states, again, supply is constrained and peak demand is growing on a seasonal basis, while storage availability is limited. These findings were borne out in our pipeline recontracting subscription process – all our East Coast customers signed on, and did so via long-term contracts.

We are responding to these market demands with a number of new pipeline and storage projects. For example, our Columbia Gas Transmission subsidiary entered into a partnership in 2004 to develop a major new underground natural gas storage field from depleted production fields in Hardy County, W. Va.

NiSource’s Response to the Northeast Market: Millennium Pipeline



“In the middle of difficulty lies opportunity.” *Albert Einstein*

The Hardy Storage project fits well with NiSource’s strength as one of the nation’s largest and most experienced underground storage operators. The project’s storage capacity is fully subscribed under long-term firm contracts.

Columbia Gas Transmission also will integrate storage and access to supply by expanding its pipeline to deliver gas from Hardy Storage to East Coast markets. Hardy Storage anticipates filing a project application with the Federal Energy Regulatory Commission (FERC) in 2005, with plans to begin construction later this year. The first storage injections are planned for spring 2007.

Meanwhile, we continue to make progress on the new Millennium Pipeline. In the long term, we believe this project will help reduce gas price volatility problems in the Northeast markets and will form our new gateway to that growing region.

Millennium will provide supply access to a number of significant supply and storage locations, including the Dawn, Ontario, and Leidy, Pa., trading hubs. A 186-mile section of Millennium from Corning to Ramapo, N.Y., is expected to be in service for the heating season of 2006-2007. Nearly 100 percent of the route will utilize existing rights of way, and the pipeline will transport 500,000 Dth of natural gas per day from Canada and upstate New York to key pipeline interconnections at the Hudson River.

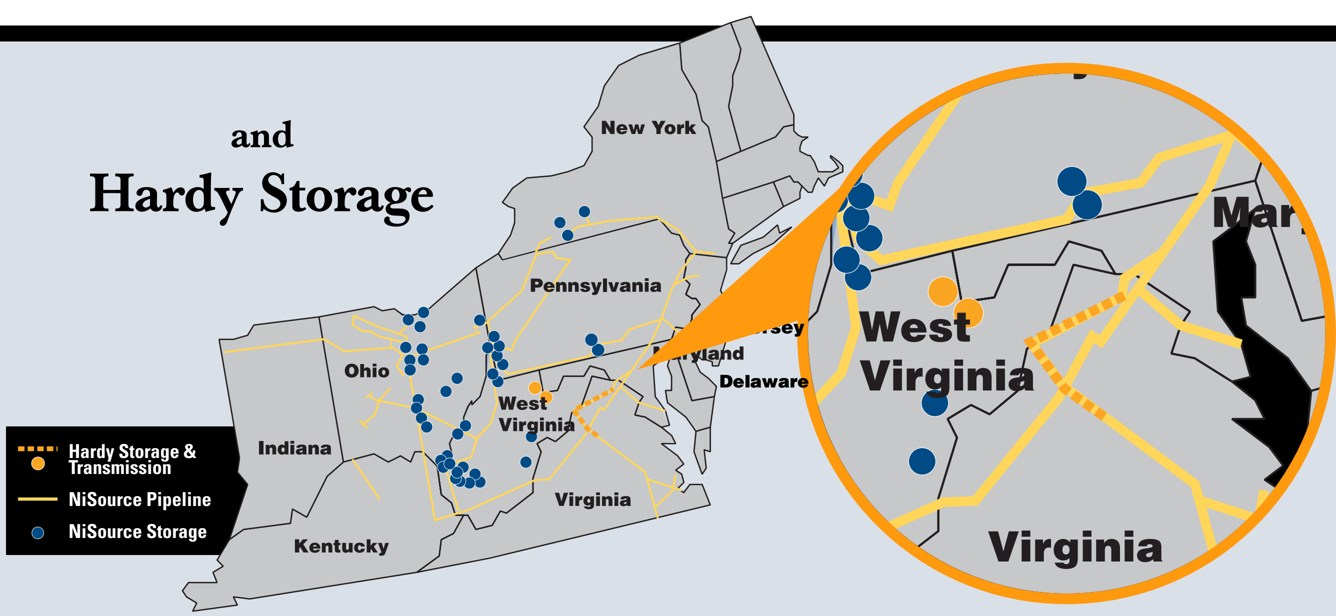
By providing the natural gas industry with much-needed storage capacity and transport in the Northeast and the Mid-Atlantic, both Millennium Pipeline and Hardy Storage could immediately begin to ease the eastern markets’ vulnerability to extreme gas price volatility and the lack of operational flexibility, brought on by the lack of infrastructure to meet the growing demand.

We can’t solve the market’s pressing needs for energy by ourselves. NiSource believes long-term national policy solutions that add new gas supply and provide for the development of much-needed infrastructure in the U.S. markets must include: construction of the Alaskan pipeline; additional drilling in the Rockies; increased supplies of liquefied natural gas; and a more rational, expedited process for siting and permitting new and enhanced infrastructure, all of which must be incorporated into and supported by a new National Energy Policy. The time to act on natural gas price/supply issues is now!

Safe, Reliable Distribution Systems Remain Key

NiSource also realizes the importance of maintaining, improving and growing our local natural gas and electric delivery systems. We’re committed to providing reliable energy for our customers and positioning our systems for ongoing growth, while ensuring facility investments continue to produce optimal returns for the company.

and
Hardy Storage



> **"In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing and the worst thing you can do is nothing."** *Theodore Roosevelt*

To this end, in Ohio, we plan to complete the 25-mile Northern Loop expansion project in the Columbus area within a year. This project is part of a 10-year plan designed to enhance Columbia Gas of Ohio's ability to serve new and existing customers in portions of Franklin and Delaware counties. Delaware County is the fastest growing county in Ohio and one of the fastest growing counties in the nation. Also, to improve the integrity of our Columbia Gas of Pennsylvania delivery system, ensure safety and reliability to existing customers and accommodate future growth, we are investing in additional system improvements in 2005. In the Northeast, we're proposing to regulators programs that will replace legacy bare steel and cast iron pipe systems, while "tracking" the costs of those investments with real-time rate riders or rate adjustments.

In our electric business, we will continue working with the City of Gary, Ind., on the transfer of ownership of our idled D. H. Mitchell Generating Station to accommodate lakefront development and airport expansion. We shut down the 60-year-old, coal-fired Mitchell plant in January 2002 because of environmental costs and new regulatory requirements of the Midwest Independent System Operator (MISO) that call for more flexible and quickly dispatchable sources of electric power to meet our high variable load profile – requirements this station was not designed to meet.

Meanwhile, our Whiting Clean Energy facility expects to finalize a new steam contract with the BP oil refinery in Whiting, Ind., is bidding to supply utility power in conjunction with its affiliate, EnergyUSA-TPC, and is well positioned to sell power in what we believe will be an improved Midwest market for wholesale electricity during the summer of 2005.

Regulatory Solutions Provide Mutual Benefits

We continue our focus on building positive relationships with regulators and other key stakeholders in each of our nine state jurisdictions and at the national level with FERC. Regulatory solutions that benefit our customers, regulators and the company are important to our strategy of sustaining future growth. Maintaining safe, reliable and expandable delivery systems is a "win-win-win" – it is perceived positively by the company, our customers and our regulators.

The concept of "sharing mechanisms" is not new to NiSource. Our distribution companies have been successful in obtaining regulatory approval for "rate trackers," as one example, which provide the company with gradual revenue increases over a period of time to recover costs associated with pollution abatement equipment and replacement of bare steel and cast iron pipe. Trackers are negotiated with regulators without committing the time, expense and other resources – on the part of regulators or the company – that would be required of a traditional rate case. And customers benefit from a cleaner environment and safer and more reliable utility infrastructure.

We also have been successful in executing other regulatory compacts at our gas and electric distribution companies that we believe to be among the industry's most innovative. Northern Indiana Public Service Company (NIPSCO) and its

Board of Directors

Gary L. Neale, Chairman & CEO
NiSource Inc.
Merrillville, Ind.

Stephen P. Adik, Retired Vice Chairman
NiSource Inc.
Merrillville, Ind.

Dr. Steven C. Beering, President Emeritus
Purdue University
West Lafayette, Ind.

Arthur J. Decio, Chairman and Director
Skyline Corporation
Elkhart, Ind.

“Progress is a nice word. But change is its motivator. And change has its enemies.” *Robert Kennedy*

Indiana gas customers began to mutually benefit from a one-year pilot program this past winter to help low-income customers pay delinquent utility bills and natural gas deposits. The “NIPSCO Winter Warmth” energy assistance program is funded through a surcharge on customers’ gas bills and also a contribution from NIPSCO. And in Ohio this past year, the Public Utilities Commission extended Columbia Gas of Ohio’s Customer CHOICE[sm] program through December 2007, while allowing the company to continue to recover associated transition costs. Columbia Gas of Pennsylvania submitted a filing in September 2004 to offer a fixed price natural gas commodity option for its residential, commercial and industrial customers. Also in Pennsylvania, legislation enacted recently will provide utilities more balanced tools for responding to low-income customers and collections issues.

We expect other forms of “win-win-win” arrangements that will create collective value, both here at NiSource and at utilities across the country. NiSource utilities will pursue commercial business opportunities, available within the parameters of our tariffs, that provide value for customers and incremental revenue for the company.

Aggressive Financial Management Continues

While NiSource will continue improving its systems and capitalizing on regulatory and commercial business opportunities, we also will continue our aggressive financial management initiatives. This strengthens our balance sheet, makes cash available for capital expenditures and helps us achieve other key financial objectives.

We are always looking for opportunities to reduce interest expense. We have hedged the interest rate risk on the issuance of new debt to replace notes, due this year, that were issued at the time of the NiSource-Columbia merger. By using forward-starting swaps, we have locked in interest rates (assuming the corporate spread stays the same). This will reduce interest expense by about $18 million for 2006.

We’ll also be looking later this year at a potential opportunity to refinance $1.1 billion of the Columbia debt that was originally issued in 1995. Based on our current interest rate forecast for 2005, we estimate we could save an additional $20 million per year in interest expense beginning in 2006. Our finance team will be carefully watching interest rates and financial markets throughout the year to determine the best timing for action on this portion of our debt.

Transforming Our Cost Structure

Aggressive cost management already has helped us to reduce operation and maintenance expenses by nearly $200 million in the past four years. We’ve done a good job, "All things are subject to change, and we change with them." *Anonymous*

but in order to further reduce expenses, we must transform our corporate processes and invest in technology.

Partnering with a business process outsource provider is one option we are exploring for this transformation. We are in the midst of a disciplined process to consider proposals from two potential providers as part of a balanced, comprehensive business strategy designed to address increasing cost challenges and establish a platform for sustainable growth. NiSource currently is a large user of outsourcing in our day-to-day activities, including numerous construction activities, line locating services and employee benefits administration. We want to determine whether partnering with an outside provider will help us transform our business support and technological processes more quickly and at levels beyond what we can accomplish on our own. An arrangement of this type also could help us improve our ability to adjust faster to business conditions while maintaining high service levels.

Outsourcing, which typically saves 20 percent to 30 percent of targeted costs, could also help us avoid significant direct capital investments in our old legacy system – capital we can better use in support of growth opportunities. We expect to finalize our decision by June 2005. Regardless of whether we move forward with outsourcing and the extent to which we do, we remain committed to transforming our key processes and activities to lower our support costs. This exercise with potential partners will provide many meaningful benchmarks or standards that may enable us to capture these transformation opportunities with a partner and on our own.

Environmental Focus is a Community Commitment

Holding down our costs is one way we keep energy affordable. We owe that to our customers and our communities. Our efforts help the cities and towns we serve by making it easier to attract new business and encourage economic development. Not only is affordable energy in everyone's best interest, so too is environmentally friendly energy.

Our electric subsidiary, NIPSCO, has been continuously making investments in pollution control equipment for its generating facilities during the past 30 years. Today, our generating units have an emissions profile that is better than most other utilities in the Midwest.

NIPSCO has spent approximately $251 million since the early 1990s to meet SO_2 requirements. Between 1990 and 2002, our annual SO_2 emissions were reduced by 70 percent and NO_x emissions by 50 percent, and we were well ahead of compliance mandates in place during that time. We remain currently compliant with SO_2 and NO_x standards.

NIPSCO received state regulatory approval in January 2005 for an environmental cost tracker that will increase recovery on NO_x abatement equipment costs from the previously planned level of $274 million to $305 million through 2006-2007. Our environmental performance has and will continue to improve, with these rate trackers aiding in recovery of costs.

NiSource's environmental commitment extends beyond our electric generation facilities and encompasses virtually every aspect of our business. We realize that it will become more expensive to meet environmental regulations in the future. We believe in taking the high road and staying in the forefront of these environmental initiatives.

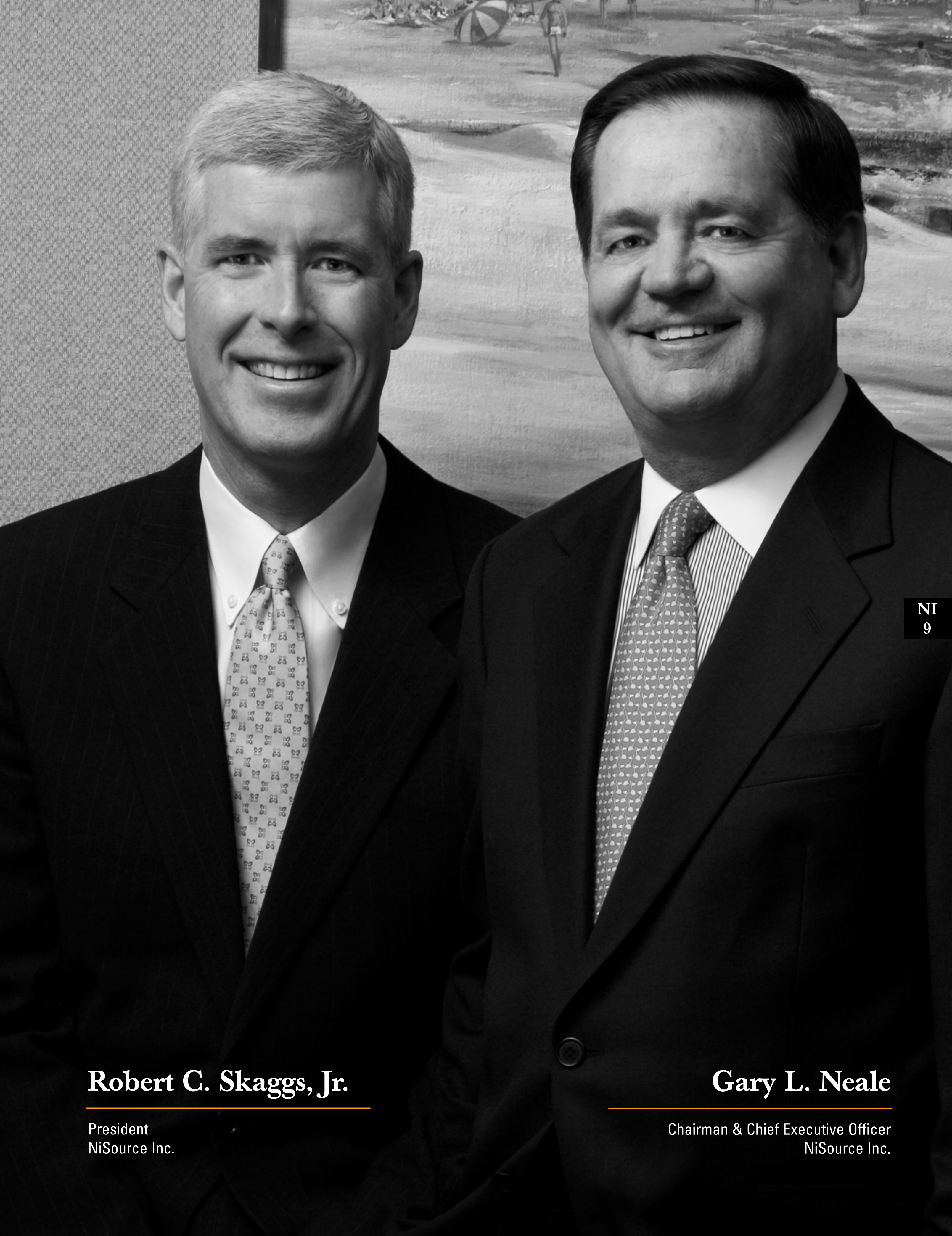
One example of our environmental commitment is our ongoing participation in the U.S. Environmental Protection Agency's Natural Gas STAR Program. The program encourages gas companies to adopt voluntary cost-effective technologies and practices that improve operating efficiencies and reduce methane emissions.

This past year all 10 of our distribution companies and our two largest gas transmission companies were selected as "Partners of the Year" in the 2004 STAR Program for the natural gas industry's distribution and transmission segments.

Sustainability Fosters Long-Term Business Growth

Another point of pride for the company has been our inclusion in the Dow Jones Sustainability World Indexes (DJSI World). NiSource is the only U.S. utility to earn this distinction for the fourth consecutive year. The DJSI World defines corporate sustainability as a business approach that creates long-term shareholder value.

Sustainability leaders embrace opportunities and manage risks that derive from economic, environmental and social developments. NiSource is one of just three U.S.-based utilities and only 16 utilities worldwide to be included in this



Robert C. Skaggs, Jr.

President
NiSource Inc.

Gary L. Neale

Chairman & Chief Executive Officer
NiSource Inc.

"Change your opinions, keep your principles; change your leaves, keep intact your roots." *Victor Hugo*

year's DJSI World index – an index that tracks corporate performance in terms of sustainability on a global basis.

A Growth Outlook

From a relatively small local utility, we have indeed transformed NiSource into a super-regional, integrated natural gas company that is one of the nation's premier energy leaders of the future. And, we are well positioned to continue to thoughtfully transform your company to not only adjust to an ever-changing world, but also to grow and flourish on a sustained basis.

- Our key strengths, including prime growing market areas, strong regulated assets in key markets, and dedicated employees, ensure our long-term success and commitment to growth in stockholder value.
- NiSource has the business structure, the business strategy and the business experience that will enable us to play a role in shaping regulatory initiatives that will further enhance regulated revenue growth.
- Our balance sheet and credit ratings are stable, our ongoing cost management efforts focused, and our planned 2005 refinancing efforts position us to reduce interest expense even further.
- We have already begun to capitalize on infrastructure investment opportunities that also will help resolve the natural gas industry's supply and capacity constraints in the Northeast and provide incremental revenue in the future.
- We remain committed to financial transparency, sustainability and adherence to the highest ethical standards.
- As we look past 2005 to 2006 and beyond, we see great opportunities for growth in stockholder value by investing in our existing asset footprint.

We thank our employees for their strong efforts during 2004 and their continued focus on safety, reliability and customer service during 2005. We also thank our stockholders for your confidence in our continuing progress on key industry and corporate initiatives – progress that would not be possible without your support and investment.

Sincerely,

Gary L. Neale
Chairman and Chief Executive Officer

Robert C. Skaggs, Jr.
President

March 8, 2005

Corporate Officers

Gary L. Neale, Chairman & CEO
Robert C. Skaggs, Jr., President
Samuel W. Miller, Jr., Executive VP & COO
Peter V. Fazio, Jr., Executive VP & General Counsel
Michael W. O'Donnell, Executive VP & CFO
S. LaNette Zimmerman, Executive VP, Human Resources & Communications
Arthur E. Smith, Jr., Senior VP & Environmental Counsel
Mark D. Wyckoff, Senior VP
Larry J. Francisco, VP, Audit
Jeffrey W. Grossman, VP & Controller
Barbara S. McKay, VP, Communications
Dennis E. Senchak, VP, Investor Relations, Asst. Treasurer & Asst. Secretary
David J. Vajda, VP & Treasurer
Gary W. Pottorff, Corporate Secretary