

2015



MiSource[®]
ANNUAL MESSAGE TO STOCKHOLDERS



NiSource (NYSE:NI)

Fully **regulated** business model

~**3.5 million** natural gas customers

~**500,000** electric customers

~**7,500** employees

Strong financial foundation, solid investment-grade credit ratings

Focused business strategy and path forward

~**\$30 billion** identified long-term system enhancement investments over 20+ years

Constructive regulatory environments

Strong local utility brands in 7 states

Separation Complete — NiSource Foundation Set

In September 2014, NiSource announced a major strategic initiative designed to better position our business. We launched a plan to separate our interstate pipeline business, Columbia Pipeline Group (CPG), from NiSource's natural gas and electric utilities.

Following the separation, each company would focus on executing on its distinct business strategies. NiSource would emerge as one of the largest fully regulated utility companies in the United States with a sharpened focus on service to our customers and communities as a core driver of sustained and growing value.

On July 1, 2015, NiSource and CPG successfully completed the separation, with CPG trading on the New York Stock Exchange under the ticker symbol "CPGX."

Specifics of the separation:

- Each shareholder received one share of CPGX for each share of NiSource stock owned
- The transaction was tax free for NiSource and shareholders for U.S. federal income tax purposes
- NiSource maintains no ownership interest in CPG or Columbia Pipeline Partners, L.P. (NYSE: CPPL)
- Joe Hamrock, formerly Group CEO of NiSource's gas distribution business unit, became NiSource President and CEO
- Bob Skaggs, NiSource's CEO until July 1, became CPG Chairman and CEO

With the separation complete, the foundation is set for NiSource to execute on our well-established, pure-play utility growth strategy, expected to deliver sustainable net operating earnings per share and dividend growth of 4 to 6 percent annually over the long term, starting in 2016.

We're proud of our history and the team that helped make NiSource the great company we are today. The next several pages of this annual report provide a deeper look into NiSource's commitments following the separation – to customers, shareholders and all our key stakeholders.

Building Momentum: A Message from Joe Hamrock, NiSource's President and CEO

Fellow Stockholder:

2015 was a dynamic year of change and progress for NiSource. While successfully separating Columbia Pipeline Group, our natural gas pipeline, storage and midstream business, into an independent company, our NiSource team remained focused on our core commitments to safely and reliably meet the needs of our customers every day.

We've set the path to successfully execute as a premier utility company while building momentum, with an eye toward continued growth and enhanced performance.

With a strong execution track record, we're growing the value we provide to our customers and communities by enhancing safety, boosting service reliability, increasing customer convenience, reducing emissions and building shareholder value through our well-established infrastructure investment programs.

Sustained annual 4%-6% net operating earnings per share and dividend growth

Following the separation, NiSource emerged as a premier pure-play natural gas and electric utility company, focused on leading in the areas that matter most.

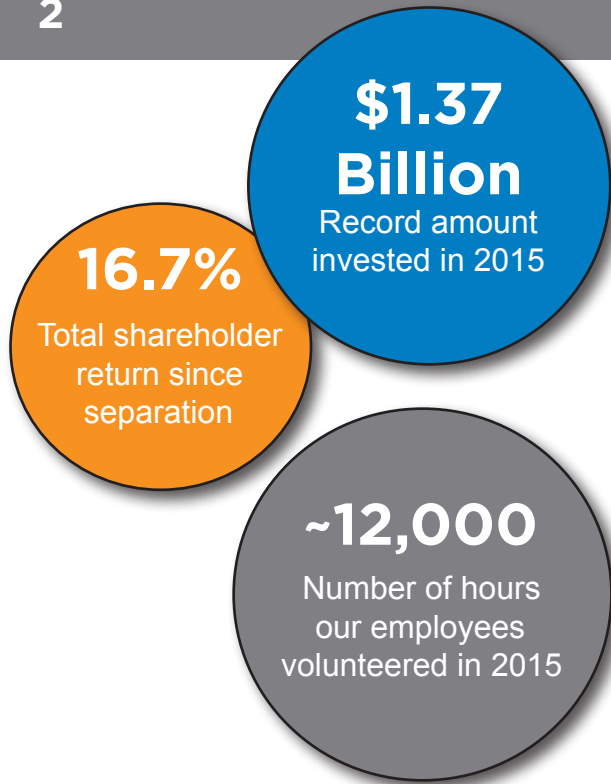
We're pleased to share how we're delivering on our commitments throughout this year's annual report. Here are a few of the team's key achievements during 2015:

- **Outperforming the major utility indices in total shareholder return for the seventh consecutive year.** This strong performance led all Dow Jones Utility Index companies. And for the second straight year, the Edison Electric Institute ranked NiSource No. 1 for total shareholder return among large cap electric utilities over a five-year period. Since the separation on July 1, 2015, we've delivered 16.7 percent total return to shareholders.
- **Increasing net operating earnings per share by 16 percent**, from \$0.81 per share in 2014 to \$0.94 per share in 2015, **driven exclusively by our utility businesses.** In 2016, we expect to continue this strong net operating earnings growth, with guidance of \$1.00 to \$1.10 per share.
- **Investing a record \$1.37 billion** across seven states at our Columbia Gas and Northern Indiana Public Service Company (NIPSCO) utilities. Since outlining our \$30 billion in identified long-term regulated utility infrastructure investments

2016 EPS
Guidance:
\$1.00 to \$1.10

Our Stakeholder Commitments

- **Industry-leading safety performance**
- **Top-tier customer satisfaction**
- **Investments that systematically & efficiently deliver service integrity**
- **Dependable, predictable and timely service and emergency response**
- **Growing our customer base by expanding into unserved areas**
- **Recognized among the best places to work by all in our communities**
- **Sustained annual 4%-6% net operating earnings per share and dividend growth**



in 2014, we've now executed against approximately \$2 billion of those investments. This includes replacing 361 miles of priority pipe and removing the last known cast iron pipe from the Columbia Gas of Virginia (CVA) system in 2015, as well as other investments that continued to enhance safety and reliability for our customers. We also put into service the last flue gas desulfurization (FGD) unit at our coal-fired electric generating facilities to further improve air quality in northern Indiana.

- **Delivering a broad range of regulatory initiatives supporting enhanced safety, reliability, employee training and customer programs.** This includes successful rate settlements in Massachusetts, Pennsylvania and Virginia; extension of CVA's modernization program; continued execution of Columbia Gas of Ohio's (COH) modernization program, and implementing COH's new Pipeline Safety Program.
- **Full deployment of automated meter reading (AMR) devices across our nearly 4 million natural gas and electric customers, completing a six-year project.** This new meter technology enhances customer service and safety and reduces meter reading costs.

- **Achieving recognition** as one of the World's Most Ethical Companies by the Ethisphere Institute for the fourth consecutive year. We also were named among the Best Places to Work by *Columbus Business First* for a third consecutive year. And for the second straight year, we earned a spot on the Dow Jones Sustainability Index-North America, illustrating our deep commitment to serving customers, employees and other stakeholders in a way that balances immediate and long-term benefits.
- **Continuing to give back to the communities we serve**, including \$1.9 million in donations to non-profit organizations by the **NiSource Charitable Foundation**. As important, our employees volunteered approximately 12,000 hours supporting those in need across our seven states.

Enhancing Service and Value for Customers of our Natural Gas Utilities

Across the seven states where we operate, our teams made progress in advancing our core commitments, investing nearly \$920 million in our natural gas utilities in 2015, through our growth and modernization programs. In parallel with these investments, our teams delivered on a range of programs and regulatory initiatives.

- In November, Columbia Gas of Massachusetts (CMA) implemented new rates under an approved settlement of its base rate case. The settlement supports CMA's continued efforts to modernize its infrastructure and transform its operations to continue to serve its customers safely and reliably. It provides for an annual revenue increase of \$32.8 million, with an additional \$3.6 million increase effective Nov. 1, 2016.
- Also in Massachusetts, CMA began executing its first Gas System Enhancement Plan as part of legislation passed in 2014, which authorized accelerated recovery of gas infrastructure modernization investments. The Massachusetts Department of Public Utilities approved the first year of the plan in April and cost recovery began May 1, increasing annual revenues by \$2.6 million.
- In addition to creating incentives for customers converting to natural gas, the Columbia Gas of Pennsylvania (CPA) rate case settlement maintains CPA's ability to continue replacing and upgrading its natural gas distribution system.

New rates that went into effect in December will increase the company's annual revenues by \$28 million.

- At CVA, the team received final Virginia State Corporation Commission approval of a base rate case filed in 2014. The final order reaffirmed a \$25.2 million annual revenue increase and supported continued capital investments by CVA to improve its system as well as initiatives to enhance safety and reliability and customer growth.
- The CVA team achieved another milestone in October when it received regulatory approval for a five-year extension of its infrastructure replacement program under the SAVE Act (Steps to Advance Virginia's Energy), which was originally approved in 2011. CVA plans to invest \$150 million in its infrastructure modernization programs from 2016-2020, an increase of 20 percent over the prior plan, with timely recovery through a tracker mechanism.
- In 2015, NIPSCO's team continued executing on its seven-year, \$817 million natural gas system modernization program. In addition to enhancing our existing gas infrastructure, it provides a mechanism for extending our system to rural areas. The team filed its semi-annual tracker and program update on Aug. 31, 2015.

Continued Progress on Electric Modernization, Enhancing Service and Reliability for Customers

With investments of about \$400 million in our electric business in 2015, the NIPSCO team continued to make progress on its significant modernization and growth initiatives and reached a major milestone in its environmental upgrades.

- Culminating approximately \$850 million in investments over five years, the NIPSCO team completed the last of three FGD units at its coal-fired generation facilities – on budget and on schedule. The company's coal-burning plants are now fully scrubbed, which is improving air quality and helping ensure NIPSCO's generation fleet remains in compliance with current environmental regulations. Ultimately these investments have reduced sulfur dioxide (SO₂) emissions by about 90 percent.

MANAGEMENT TEAM

Joseph Hamrock

President & Chief Executive Officer

Donald E. Brown

Executive Vice President,
Chief Financial Officer & Treasurer

Jim L. Stanley

Chief Operating Officer

Robert D. Campbell

Executive Vice President,
Corporate Affairs & Human Resources

Carrie J. Hightman

Executive Vice President &
Chief Legal Officer

Carl W. Levander

Chief Regulatory Officer

Violet G. Sistovaris

Executive Vice President, NIPSCO

Suzanne K. Surface

Vice President, Audit

- On the regulatory front, in October NIPSCO filed its first electric base rate case in five years. The case seeks to update rates to reflect the current costs of generating and distributing power, plus ongoing investments that are delivering substantial benefits to customers. For instance, NIPSCO has implemented programs that have reduced the duration of power outages by 40 percent.
- In February 2016, the NIPSCO team reached a settlement of the case with the Indiana Office of Utility Consumer Counselor, NIPSCO's industrial customers, the Indiana Municipal Utility Group and the United Steelworkers, which would reduce the rate increase for customers while also allowing NIPSCO to continue to invest in its electric system and make service improvements for customers. We expect a decision by the Indiana Utility Regulatory Commission (IURC) in the third quarter of this year.
- Following a settlement with external stakeholders related to its initial plan, NIPSCO in late December filed a new \$1.3 billion, seven-year electric infrastructure modernization plan with the IURC. The plan is focused on investments in replacing poles, transformers and related equipment, which will continue to enhance the safety and reliability of NIPSCO's transmission and distribution system. A decision is expected in the third quarter of 2016.
- NIPSCO's two major electric transmission projects designed to enhance region-wide system flexibility and reliability advanced in 2015 and remain on schedule. Right-of-way acquisition, permitting and substation construction are under way for both projects. Line and tower construction is expected to begin this year. These projects involve an investment of approximately \$450 million for NIPSCO and are anticipated to be in service by the end of 2018.

“As we begin our first full year as a pure-play utility company, we're sharpening our focus on leadership in safety and customer satisfaction to unlock the full potential of our plan.”

Focused on Sustained Earnings and Dividend Growth in 2016 and Beyond

As outlined throughout this year's report, our financial, operational and regulatory foundation is strong and poised for continued investment in our business that will benefit customers and drive growth, consistent with our regulated utility investment proposition. We plan to invest \$1.4 billion in infrastructure enhancements in 2016 as part of our \$30 billion long-term plan we've been executing against.

Our credit ratings at the three major agencies remain solidly investment grade – something we remain committed to as we continue to execute on our business strategy.

Our plan is expected to deliver net operating earnings per share of \$1.00 to \$1.10 in 2016. This 2016 earnings guidance provides the starting point for our long-term annual net operating earnings per share and dividend growth projections of 4 to 6 percent annually.

Our well-established utility investment programs continued to produce high value for our customers and investors in 2015. As we begin our first full year as a pure-play utility company, we're sharpening our focus on leadership in safety and customer satisfaction to unlock the full potential of our plan.

Thank you for your continued support and investment in NiSource.

Sincerely,



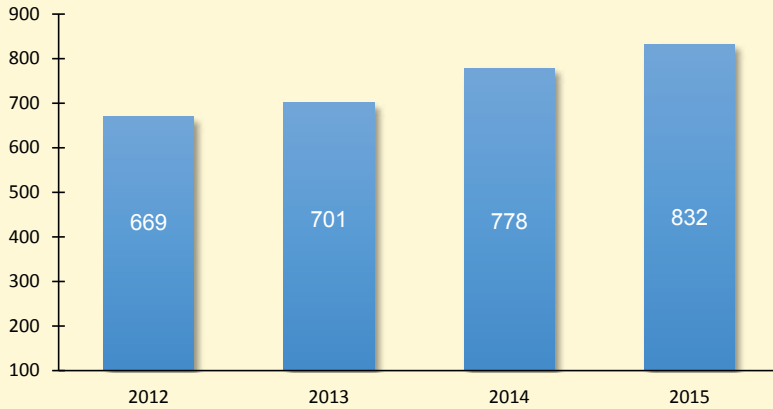
Joe Hamrock
President and CEO
NiSource Inc.



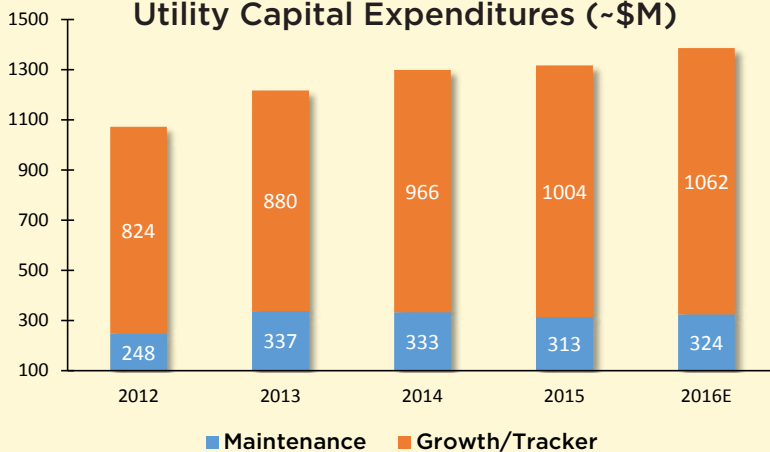
*Net operating earnings per share (EPS) referred to in this document is a non-GAAP financial measure. For a reconciliation to GAAP, see Schedules 1 & 2 of the company's Feb. 18, 2016, earnings release which is available at www.nisource.com.

BY THE NUMBERS

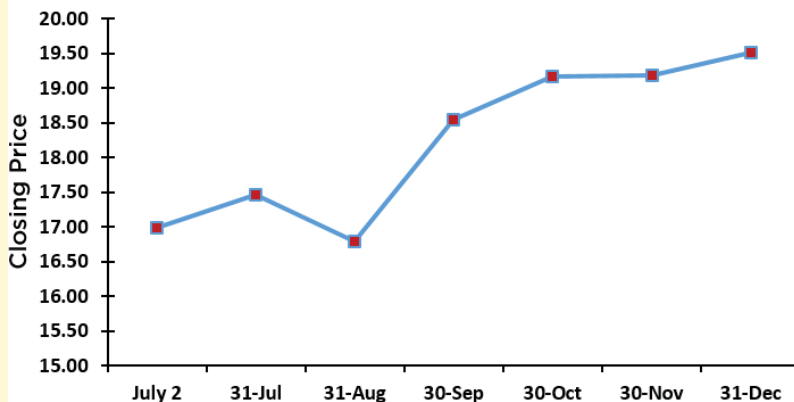
Utility Operating Earnings (~\$M)



Utility Capital Expenditures (~\$M)



NiSource Post-Separation Stock Performance July 2 - December 31, 2015



BOARD OF DIRECTORS

Richard L. Thompson

Chairman of the Board, NiSource Inc.

Richard A. Abdoo

President, R.A. Abdoo & Co. LLC

Aristides S. Candris

Retired President & CEO
Westinghouse

Michael E. Jesanis

Co-founder and
Managing Director, HotZero
Principal, Serrafix

Joseph Hamrock

President & CEO, NiSource Inc.

Deborah A. Henretta

Retired Group President
Procter & Gamble Co.

Kevin T. Kabat

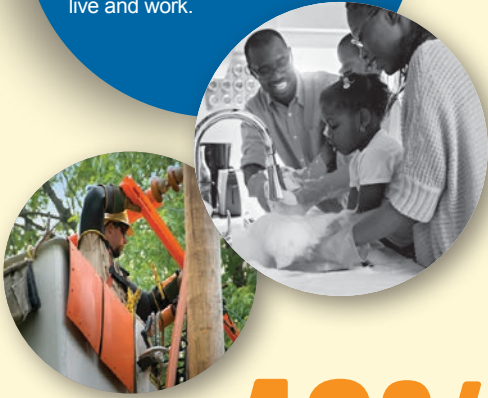
Vice Chairman & Retired CEO
Fifth Third Bancorp

Carolyn Y. Woo

President & CEO, Catholic Relief Services

DELIVERING ON OUR CUSTOMER COMMITMENT...

As a utility company, our commitment is to deliver each day for our customers and strengthen the communities where we serve, live and work.



Another way we're improving our customers' experience is by implementing new communications technology to provide customers with timely information. In 2015 NIPSCO introduced a mobile text option for customers to report electric power outages, receive estimated power restoration times and other account updates, like bill payment reminders.

Our team's focus is paying off. In 2015, two of our utilities earned industry-leading recognition for

customer service. Columbia Gas of Pennsylvania was the top award winner in its region for the second year in a row in the J.D. Power and Associates Gas Utility Residential Satisfaction Study, and Columbia Gas of Virginia was named as one of the most improved brands in the nation. Notably, scores for all NiSource utilities improved compared to 2014.

40%
POWER OUTAGE REDUCTIONS

Our top priority is delivering on our safety commitment. Our long-standing infrastructure modernization programs are enhancing safety and system reliability on a continuing basis – including a 40 percent reduction in power outage durations – and reducing our greenhouse gas emissions. We're also using technology and proactive communication to reduce third-party damages to our underground facilities.

For residential customers, we're in the final stages of rolling out a new bill format. The new bill design offers user-friendly content and design, and improved detail of charges – all features our customers have told us they want. More than 2,300 customers participated in focus groups and our online customer panel, providing us with insights about what customers expect to see on our bills to make them easier to understand.



~\$920
Million Capital Invested - 2015 Gas Utilities

~\$400
Million Capital Invested - 2015 Electric Business

Letter from the Chairman of the Board: A Historic and Transformative Year for NiSource

In June, NiSource's Board of Directors gave final approval to the separation of Columbia Pipeline Group. We did so with the utmost confidence that both businesses – premier in their respective industries – would be better positioned to unlock the full potential of their respective investment opportunities, while creating enhanced value for customers and shareholders.

And, the team flawlessly executed the separation while maintaining NiSource's strong commitment to safety, customer service, community involvement, employee engagement, and financial discipline.

Soon after the separation, NiSource welcomed to the Board two experienced executives who complement the talents of our other members, **Deb Henretta**, a former senior executive with Procter & Gamble, and **Kevin Kabat**, vice chairman and retired CEO of Fifth Third Bancorp. Deb brings a deep understanding of customer service and marketing, while Kevin brings significant financial, risk management and strategic planning experience.

Since the separation, as Joe outlined in his letter, NiSource has continued to strengthen the comprehensive utility investment programs across its service territory. NiSource has outlined one of the most forward-looking, long-term programs in the industry, with more than \$30 billion in identified investments. Ensuring these investments create value for our customers, communities and shareholders is a critical focus of the Board and we're confident in the team's ability to execute on this plan.

In this new era for NiSource, we will continue to be closely engaged with management and, together with Joe and his leadership team, will develop the right strategies for the company as a pure-play utility, so that we deliver on our commitments and create sustainable value for all our stakeholders.

Thank you for your continued investment and support.

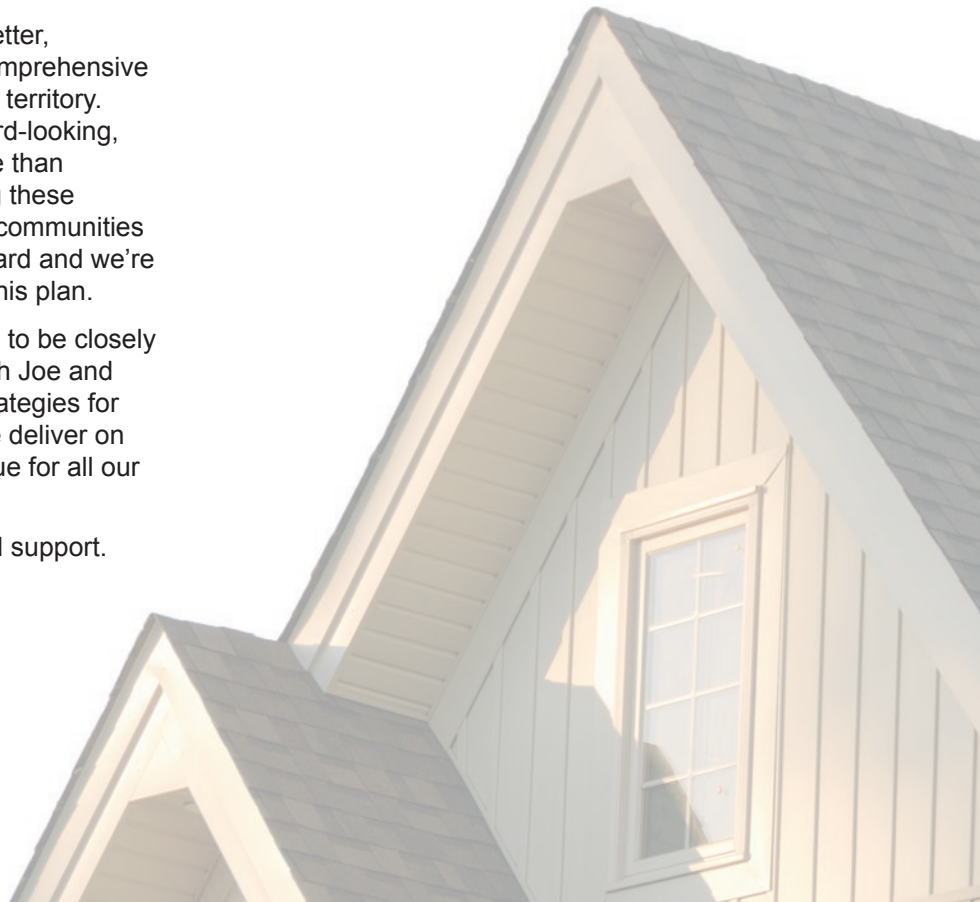


Rich Thompson
Chairman of the Board
NiSource Inc.

MEMBER OF

Dow Jones Sustainability Indices

In Collaboration with RobecoSAM 





STOCKHOLDER INFORMATION

Forward-looking Statements

This document contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are subject to various risks and uncertainties. Examples of forward-looking statements in this document include statements and expectations regarding NiSource's business, performance, infrastructure investments, and growth.

For a discussion of factors that could cause actual results to differ materially from those contained in such statements, please see the "Risk Factors" section of NiSource's Annual Report on Form 10-K included herein and in other filings with the Securities and Exchange Commission.

NiSource expressly disclaims any duty to update, supplement or amend any of its forward-looking statements contained in this document, whether as a result of new information, subsequent events or otherwise, except as required by applicable law.

Regulation G Disclosure Statement

This document includes financial results and guidance for NiSource with respect to net operating earnings and operating earnings, which are non-GAAP financial measures as defined by the SEC's Regulation G. The company includes such measures because management believes they permit investors to view the company's performance using the same tools that management uses and to better evaluate the company's ongoing business performance. With respect to such guidance, it should be noted that there will likely be differences between such measures and GAAP equivalents due to various factors, including, but not limited to, fluctuations in weather, environmental laws, the impact of asset sales, separation-related costs, and certain income tax items. NiSource is not able to estimate the impact of such factors on GAAP earnings and, as such, is not providing earnings guidance on a GAAP basis.

NiSource Inc. common stock is listed and traded on the New York Stock Exchange ("NYSE") under the symbol NI. The shares are listed in financial stock quotations as NISOURCE. As of Dec. 31, 2015, NiSource had 30,190 registered common stockholders.

Anticipated Dividend Record & Payment Dates - NI Common Stock

Record Date	Payment Date
04/29/16	05/20/16
07/29/16	08/19/16
10/31/16	11/18/16
02/10/17	02/17/17

Common Stock Dividend Declared

On Feb. 19, 2016, the company paid a quarterly dividend of \$0.155 per share, equivalent to \$0.62 per share on an annual basis.

Investor & Financial Information

Financial analysts and investment professionals should direct written and telephone inquiries to NiSource Investor Relations at 801 East 86th Avenue, Merrillville, IN 46410 or (614) 460-4789.

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

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 Computershare at the following:

Computershare
P.O. Box 30170
College Station, Texas 77842-3170
or

211 Quality Circle, Suite 210
College Station, Texas 77845

(888) 884-7790

TDD for Hearing Impaired
(800) 231-5469

Foreign Stockholders
(201) 680-6578

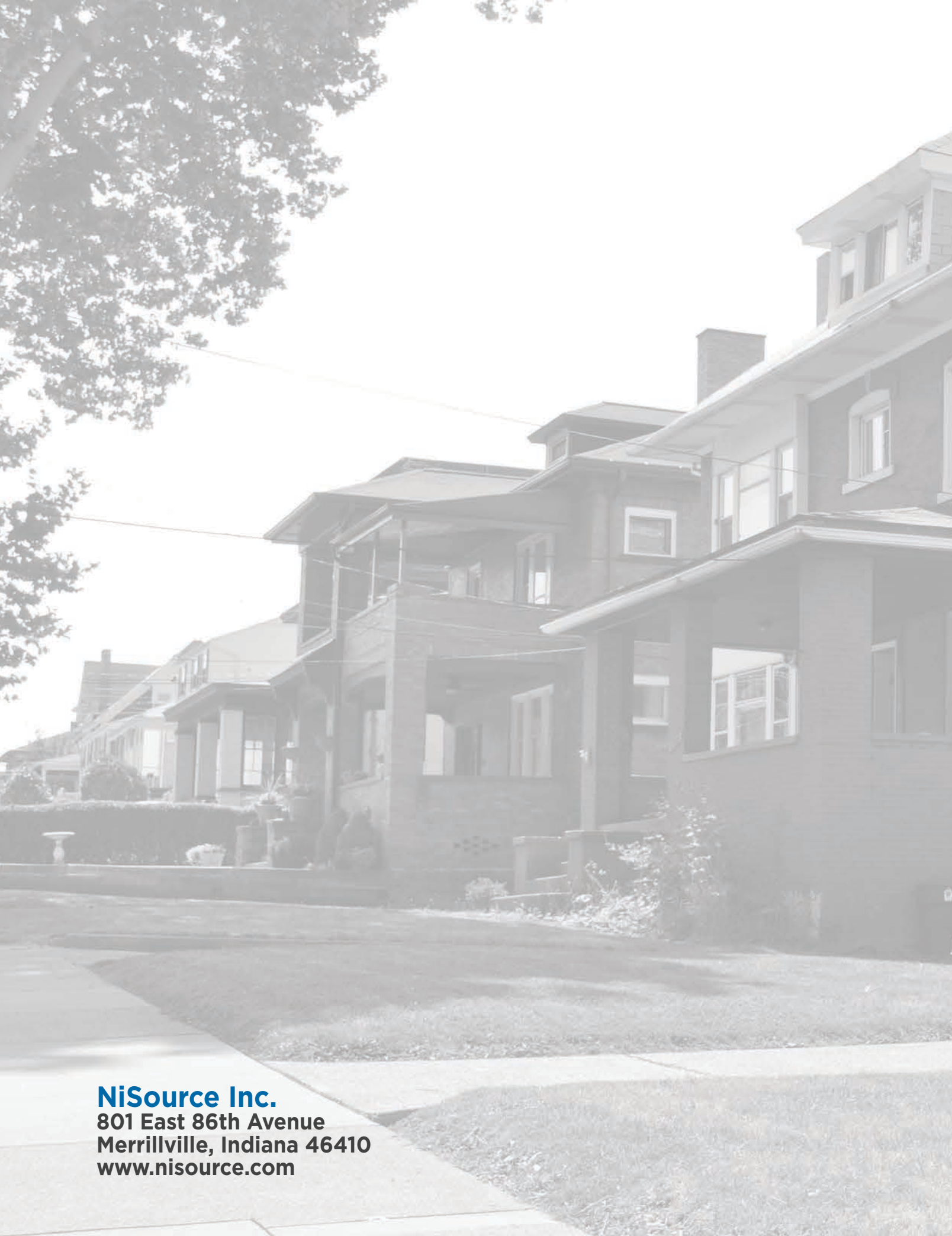
TDD Foreign Stockholders
(201) 680-6610

www.computershare.com/investor

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