

2018 CLIMATE REPORT



NiSource Stakeholders:

I am pleased to share with you the 2018 NiSource Climate Report, which describes our journey to achieve our aggressive greenhouse gas emissions reduction targets, along with several of the risks and opportunities associated with climate change.

In serving nearly 4 million natural gas and electric customers across seven states, our operating companies share common commitments – to safety, customer satisfaction, reliable and affordable service, and sustainability. We’re openly and transparently engaging our customers, our communities and all our stakeholders in long-term planning to meet these commitments.



In October 2018, after months of detailed discussions with stakeholders, our Northern Indiana Public Service Company (NIPSCO) subsidiary announced the Your Energy, Your Future plan, a balanced, gradual, and orderly process to retire all our coal-fired electric generating units by 2028 and to begin replacing them with new lower-cost, cleaner energy sources, including wind, solar and battery storage.

We envision a brighter future in three important ways: by focusing on the long-term strength of our local economies; delivering the best cost, most balanced, and reliable energy our customers need; and reducing emissions to improve our environment.

NiSource is targeting a 90 percent reduction in greenhouse gas emissions (compared to 2005 levels) from operations by 2030, an industry-leading step consistent with the Paris Climate Agreement. In our natural gas business, we are targeting a 50 percent reduction in methane emissions (compared to 2005 levels) from natural gas main and service lines by 2025 through our well-established priority pipe replacement programs.

We ask you to join us on this journey by participating in our energy efficiency and other customer-focused programs to reduce greenhouse gas emissions. Climate change has global implications and local impacts, but together we are creating a sustainable energy future.

Sincerely,
Joe Hamrock
President & Chief Executive Officer
NiSource Inc.

S U M M A R Y

NiSource is committed to addressing the challenge posed by climate change. In an October 2018 special report, the Intergovernmental Panel on Climate Change (IPCC) concluded that limiting the impacts of global warming to 1.5 degrees Celsius would require “rapid, far-reaching and unprecedented changes in all aspects of society.” NiSource has taken an industry-leading approach by developing plans that result in a projected 90 percent reduction of our greenhouse gas (GHG) emissions by 2030 through the retirement of all of our coal-fired electric generation and natural gas pipeline modernization, a transition to renewable energy that is expected to provide cost-savings to our electric customers over the long-term, and \$30 billion of electric and natural gas infrastructure investments over 20-plus years.

NiSource is relentlessly focused on serving our customers and communities in a way that is safe, reliable, environmentally responsible and sustainable. Our operating companies and employees have been part of the communities we serve for generations. With each action we take, we actively consider economic, social and environmental values of our customers and communities today and in the future.

NiSource companies are committed to engaging in activities to reduce potential risks and leverage opportunities to address climate change. We will continue to reduce GHG emissions and meet the energy needs of our customers through activities which promote sustained economic growth.

This report incorporates recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD) to disclose governance, strategy, risk management, and metrics and targets around climate-related risks and opportunities. NiSource also considered, and participated in the development of, the framework by Ceres and M.J. Bradley & Associates, *Climate Strategy Assessments for the U.S. Electric Power Industry: Assessing Risks and Opportunities Associated with a 2-Degree Transition and the Physical Impacts of Climate Change*. More than a disclosure or an assessment, our actions are producing real and positive generational impacts.

NISOURCE
90%

GHG REDUCTION BY 2030
FROM 2005 LEVELS

**PARIS CLIMATE
AGREEMENT**

26-28%

GHG REDUCTION BY 2025

**IPCC
1.5-DEGREE
REPORT**

45%

GHG REDUCTION BY 2030

**2-DEGREE
SCENARIOS**

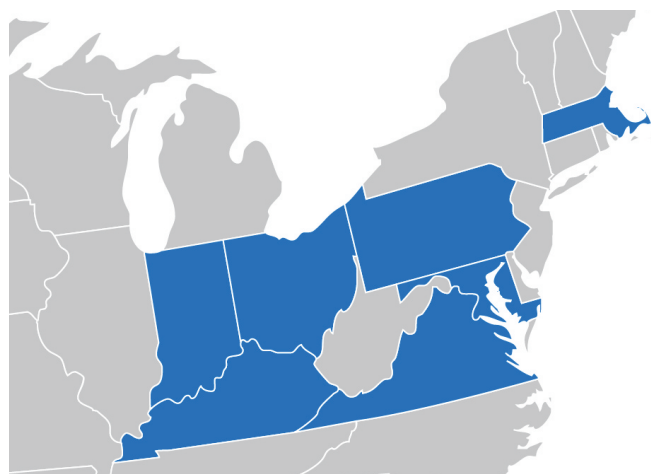
80%

GHG REDUCTION BY 2050

COMPANY OVERVIEW

NiSource is one of the largest natural gas companies in the United States, serving more than 3.4 million customers in seven states under the Columbia Gas and NIPSCO brands. The company provides electric distribution, generation and transmission services to nearly 500,000 NIPSCO electric customers in northern Indiana. We employ approximately 8,000 people who are engaged in the communities we serve.

- 58,000 Miles of Natural Gas Distribution Main Lines
- Two Remaining Coal-Fired Power Plants, Planned for Retirement by 2023 and 2028
- One Natural Gas Combined Cycle and Two Hydroelectric Power Plants
- 800 Megawatts (MW) of Wind Power by Late 2020



IN 2018, NISOURCE WAS NAMED TO
THE DOW JONES SUSTAINABILITY INDEX
FOR THE FIFTH CONSECUTIVE YEAR

NiSource Target

50%

**Methane Reduction
From Natural Gas
Distribution Main and
Service Lines By 2025**
(From 2005 Levels)



In the EPA's voluntary Natural Gas STAR Program, companies commit to identifying, tracking and reducing GHG emissions associated with natural gas operations. With more than 20 years of participation and support, NiSource continues to voluntarily reduce and report methane emissions as part of this program.

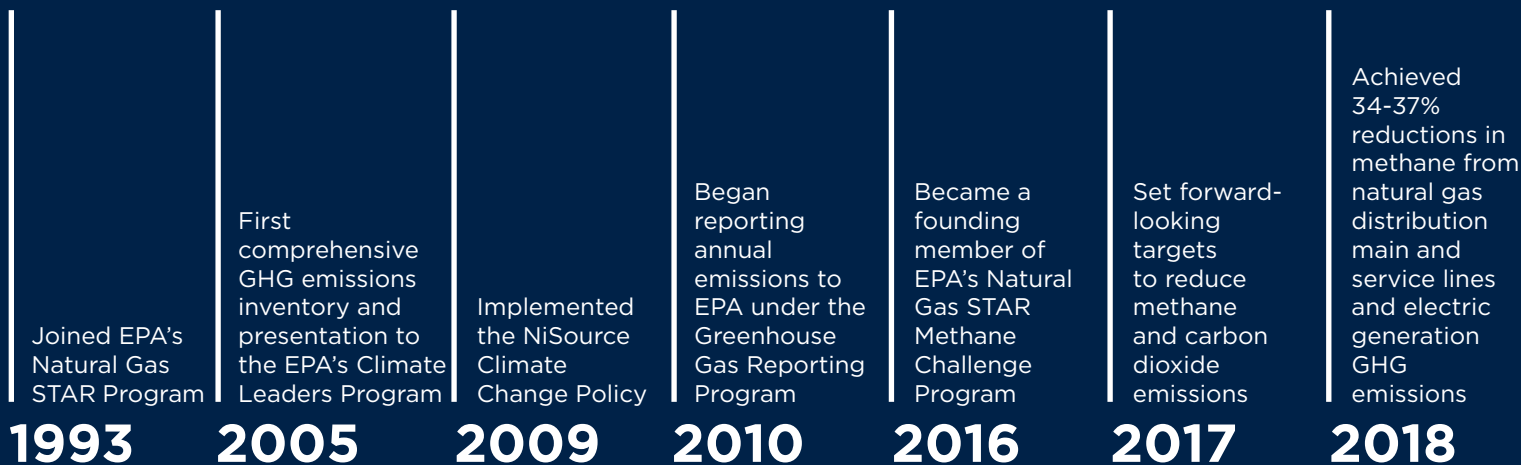
2018 Progress

34%

**Reduction in Methane
Emissions and 302 Miles
of Priority Pipe Replaced**

NiSource furthered its commitment by joining the expanded Natural Gas STAR Methane Challenge Program as a founding member. The Methane Challenge Program is an integral part of the EPA's ongoing commitment to address methane emissions and global climate change. The program provides a framework through which oil and gas companies can make and track commitments to further reduce methane emissions.

Timeline of NiSource Climate-Related Actions



G O V E R N A N C E

For more than a decade, NiSource's commitment to GHG emission reporting and reduction has been guided by the Environmental, Safety and Sustainability (ESS) Committee of the NiSource Board of Directors and implemented across the NiSource companies. The ESS Committee oversees programs, performance and risks relative to environmental, safety and sustainability matters, including climate-related issues. The ESS Committee meets a minimum of four times annually.

A portion of the NiSource officers' (vice president and above) long-term equity incentive (performance shares) is tied to progress against our publicly disclosed emission reduction targets. This applies to approximately 70 individuals in addition to the CEO and named executives.

A NiSource management team also meets routinely to identify and assess short-, medium- and long-term transitional and physical risks as well as opportunities. Climate-related reviews and oversight are provided by a Strategic Planning Team and corporate Risk Management Committee.

The following individuals play key roles in the ESG/Sustainability efforts at NiSource.

Oversight:

- President & Chief Executive Officer
- Executive Vice President & Chief Financial Officer
- Executive Vice President & Chief Legal Officer
- Executive Vice President, and President, NIPSCO
- Executive Vice President, and President, Gas Utilities
- Executive Vice President, Federal Government Affairs & Policy

Management:

- Sr. VP, Corporate Communications
- VP, Corporate Secretary & Deputy General Counsel
- VP, Deputy General Counsel Environmental
- VP, Environmental
- VP, Strategy & Chief Risk Officer
- VP, Investor Relations & Treasurer
- Manager, Sustainability



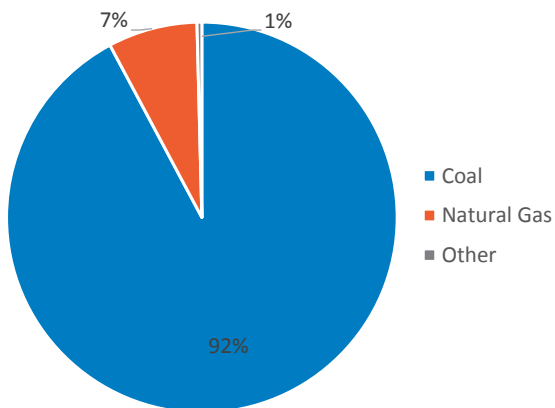
The Environmental Safety and Sustainability Committee charter can be found at
<https://www.nisource.com/investors/governance>

CUSTOMER-CENTRIC STRATEGY: SHORT AND MEDIUM TERM

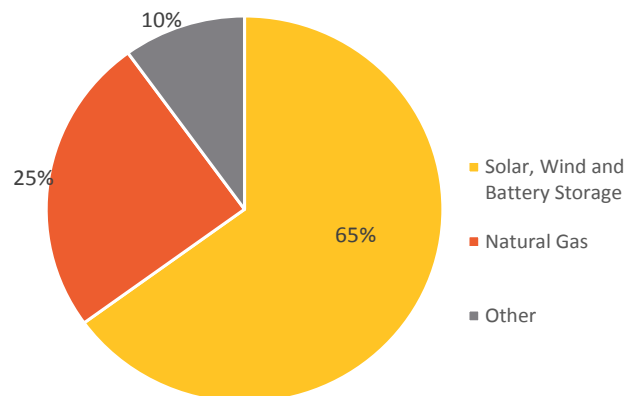
CO₂ Emission Reductions From Electric Generation

Climate-related issues are integral to our business. As a recent example of this, NIPSCO submitted its Integrated Resource Plan (IRP) to the Indiana Utility Regulatory Commission on October 31, 2018, which evaluated demand-side and supply-side resource alternatives to reliably and cost-effectively meet NIPSCO customers' future energy requirements over the ensuing 20 years. Following the retirement of the coal-fired electric generation at Bailly Generating Station (Units 7 and 8) in 2018, the timeline for NIPSCO's five remaining coal-fired units is the expected retirement of R.M. Schahfer Generating Station (Units 14, 15, 17, and 18) no later than 2023, and Michigan City Generating Station (Unit 12) by 2028. Retiring the approximately 2,100 MW of coal-fired generation will significantly accelerate GHG emission reductions across the NIPSCO footprint, both in timing and magnitude.

2005 NIPSCO CAPACITY



2028 NIPSCO CAPACITY (Projected)



The replacement plan includes lower-cost sources of energy, including wind, solar and battery storage. NIPSCO expects this plan to save electric customers an estimated \$4 billion over the long-term. While future GHG reduction scenarios and carbon pricing were incorporated into the IRP modeling process, they did not solely drive the decision toward renewable energy. An all source request for proposal (RFP) provided NIPSCO insight into the most relevant prices and types of resources available to meet customer needs. The RFP results speak for themselves – opportunities for significant GHG reductions are available and cost-effective in the electric sector. In February 2019, NIPSCO announced the first phase of its plans to transition to lower-cost energy resources, with the addition of three new Indiana wind farms. The wind capacity is expected to be in operation by late 2020 and represent approximately 800 MW of nameplate capacity. Implementing the plan to retire all coal generation and replace with renewable and demand-side management results in a 90 percent reduction in GHG emissions by 2030, an industry-leading step consistent with the Paris Climate Agreement and the IPCC Special Report.

Renewable Natural Gas (RNG), a carbon-neutral or carbon-negative fuel, is transported by our distribution system after production at Indiana dairy farms¹ and an Ohio landfill. Several other RNG projects are in the planning phase across our service territory.

Methane and CO₂ Reduction From Natural Gas Distribution

NiSource is also engaged in a robust, multiyear effort to replace existing cast iron and bare steel natural gas distribution pipe with state-of-the-art materials, such as advanced plastics and protected steel with an emphasis on modernizing our systems to enhance safety, reliability, and customer service. Replacing cast iron and bare steel pipe also reduces emissions of methane, a GHG which contributes to climate change. Since 2005, our methane emissions from natural gas main and service lines have decreased by 34 percent from pipe replacement, and we are targeting a 50 percent reduction by 2025.

We want to help customers reduce their emissions, too. In 2018, nearly 800,000 customers participated in our programs for energy-efficiency upgrades, home check-ups and weatherization services, saving customers approximately \$23 million on their energy

bills. Specifically, our natural gas efficiency programs conserved more than 6.5 billion cubic feet of gas in 2018, reducing CO₂ emissions by approximately 350,000 metric tonnes.

Columbia Gas of Massachusetts is modernizing infrastructure to enhance safety and help achieve the goals of the Global Warming Solutions Act (GWSA), a state law. The company has also converted more than 23,000 customers from high-carbon fuels to natural gas over the last ten years. Heating with natural gas directly emits 27 percent less CO₂ emissions than heating oil, and 16 percent less when compared with propane heat.² By converting customers from high-carbon fuels to natural gas, along with energy efficiency programs and the planned replacement of the remaining cast iron and bare steel main lines by 2029, emission reductions will continue in Massachusetts over the short and medium terms.

Customer Energy Efficiency Programs

Columbia Gas of Kentucky

ColumbiaGasKY.com/ways-to-save

Columbia Gas of Maryland

ColumbiaGasMD.com/ways-to-save

Columbia Gas of Massachusetts

ColumbiaGasMA.com/ways-to-save

Columbia Gas of Ohio

ColumbiaGasOhio.com/ways-to-save

Columbia Gas of Pennsylvania

ColumbiaGasPA.com/ways-to-save

Columbia Gas of Virginia

ColumbiaGasVA.com/ways-to-save

NIPSCO

NIPSCO.com/save-energy

¹ "Nation's Largest Dairy Renewable Natural Gas Project Launched in Jasper County," Joseph Pete, The Times of Northwest Indiana.

² <https://www.eia.gov/tools/faqs/faq.php?id=73&t=11>

CUSTOMER-CENTRIC STRATEGY: LONG TERM

As part of our long-term business strategy, we're making significant investments in our infrastructure, including nearly \$30 billion in identified long-term system modernization and growth programs spanning 20-plus years. We're making these investments because we expect that our customers will continue to seek renewable energy and the delivery of reliable, affordable, low-carbon natural gas. Over the long-term, NiSource will also continue to implement customer programs and collaborate with partners to reduce GHG emissions associated with natural gas.

NIPSCO's electric strategy is shaped by our rigorous modeling process and analysis of market trends, along with our understanding of customer preferences and stakeholder concerns. At the same time, we recognize our industry is subject to significant uncertainty and that a robust planning process should be informed by a wide range of future scenarios. In addition to our in-house analyses, NIPSCO leverages scenarios developed as part of industry-wide research efforts and third-party studies. This includes work on 1.5- to 2-degree Celsius scenarios and the implications for electric power companies.

The framework, *Climate Strategy Assessments for the U.S. Electric Power Industry: Assessing Risks and Opportunities Associated with a 2-Degree Transition and the Physical Impacts of Climate Change*, developed by Ceres and

M.J. Bradley & Associates, identifies some of the key electric industry themes that emerge from many public, third-party 1.5- to 2-degree Celsius scenarios. These include:

- U.S. electric power industry GHG emission reductions of at least 90 percent by 2050;
- Prioritization of energy efficiency and demand-side management to reduce costs and limit the need for investments in new generation; and
- Broad deployment of carbon-free electricity to support economy-wide emissions reductions.

We continue to track current research in this area and evaluate potential risks and opportunities associated with these scenarios.



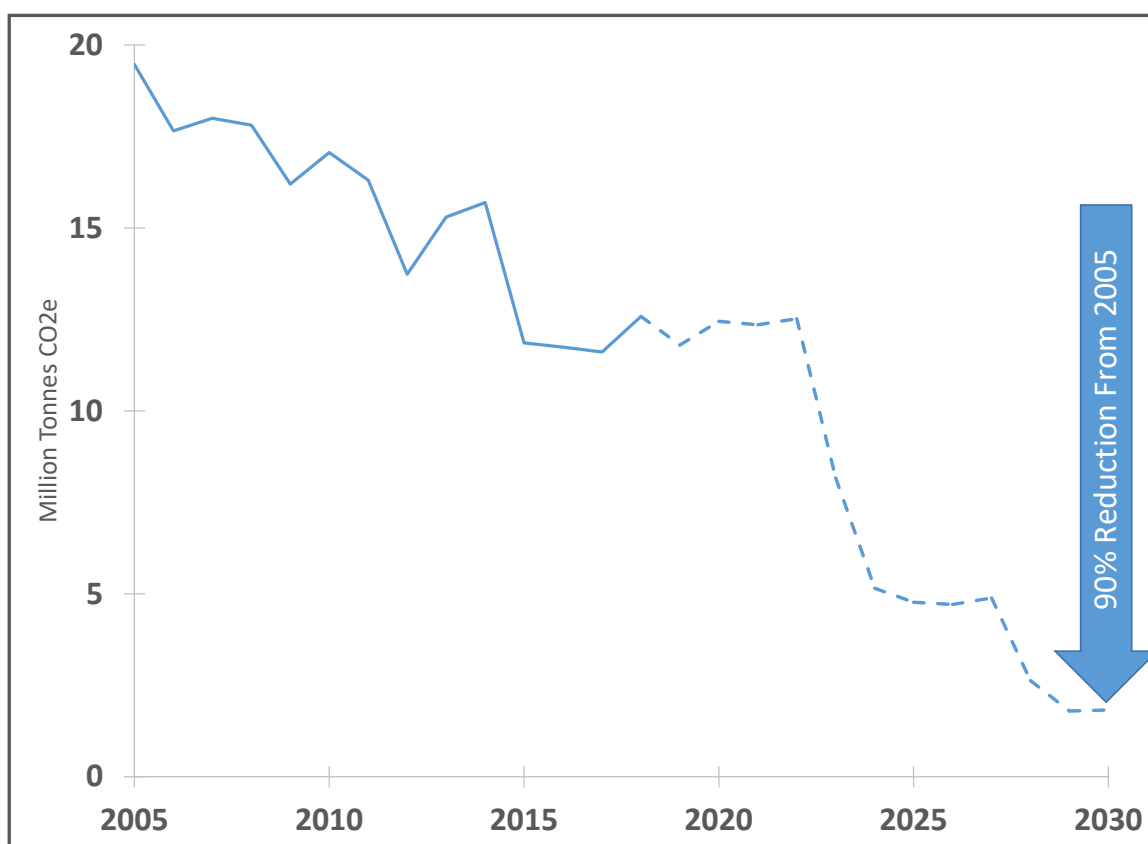
NiSource is a partner with M.J. Bradley & Associates in the Downstream Natural Gas Initiative, a collaborative to address key technical and regulatory challenges related to the role of natural gas in a low-carbon future.

M E T R I C S A N D T A R G E T S

NiSource has targeted a 90 percent reduction in GHG emissions from our operations by 2030, including a 50 percent reduction in methane emissions from natural gas main and service lines by 2025 (from 2005 levels).

Data are provided here to demonstrate our emission reductions to-date. NiSource also publicly discloses emissions data to U.S. EPA and state environmental agencies in compliance with federal and state regulations.

Total Scope 1 Emissions: Projected Path to a 90% GHG Reduction



Electric Generation			
	2005	2017	2018
Generation Emissions (Tonnes CO ₂ e)	18,369,782	10,564,429	11,618,621
Purchased Electricity Emissions (Tonnes CO ₂ e)	1,254,389	3,401,572	2,892,254
Total Emissions (Tonnes CO ₂ e)	19,624,171	13,966,001	14,510,875
Generated Electricity (Net MWh)	16,805,533	11,451,079	12,021,710
Purchased Electricity (MWh)	1,611,704	5,607,049	4,777,069
Total MWh	18,417,237	17,058,129	16,798,779
Emission Intensity (Tonnes CO ₂ e/MWh)	1.07	0.82	0.86

Emissions data from Natural Gas Operations are based on a comprehensive inventory and publicly-reviewed factors from EPA's *Inventory of U.S. GHG Emissions and Sinks: 1990-2017 (April 2019)*. These reported emissions differ from other reports due to calculation methods and updated data.

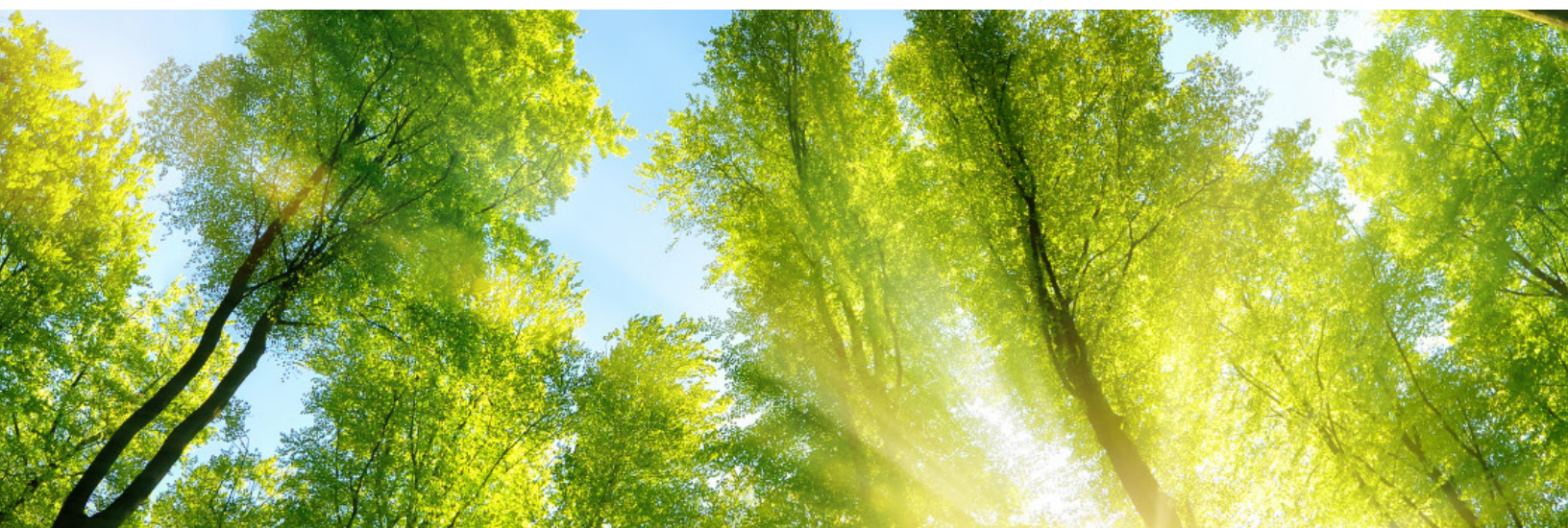
Natural Gas Operations			
	2005	2017	2018
Distribution Main Lines (Miles)	54,797	58,473	58,785
• Plastic	24,828	32,986	33,678
• Cathodically Protected Steel	20,917	20,375	20,295
• Cathodically Unprotected Steel	7,801	4,398	4,165
• Cast/Wrought Iron	1,251	715	647
Fugitive Methane Emissions from Main and Service Lines (Tonnes CO₂e)	432,540	293,276	281,799
Other Methane Emissions* (Tonnes CO₂e)	472,684	524,819	519,560
Natural Gas Throughput (Billion Cubic Feet)	804	884	967
Methane Intensity (% of Total Throughput)	0.25%	0.21%	0.18%
Natural Gas Operations Emissions (Tonnes CO₂e)	969,680	894,095	883,074

*Includes methane emissions from meters, metering & regulating stations, city gates, transmission pipeline, blowdowns, dig-ins, pressure relief valves, and storage facilities.



NiSource Emissions By Activity (Tonnes CO ₂ e)			
	2005	2017	2018
Electric Generation	18,369,782	10,564,429	11,618,621
Natural Gas Operations	969,680	894,095	883,074
Electric Transmission and Distribution Operations	99,768	94,581	20,005
Building Natural Gas and Mobile Emissions	34,233	57,598	59,101
Total - Scope 1	19,473,463	11,610,703	12,580,801
Total - Scope 2 (Indirect-Electric)	65,297	48,849	43,669
Total - Scope 3 (Purchased Electricity)	1,254,389	3,401,572	2,892,254

NiSource 2018 Detailed Emissions By Activity					
	CO2	CH4	N2O	SF6	Total (Tonnes CO2e)
Electric Generation	11,541,412	1,134	164	0	11,618,621
Natural Gas Operations	81,709	32,054	0	0	883,074
Electric Transmission and Distribution Operations	0	0	0	0.9	20,005
Building Natural Gas and Mobile Emissions	58,691	2	1	0	59,101
Total - Scope 1	11,681,812	33,190	165	0.9	12,580,801
Total - Scope 2 (Indirect-Electric)	43,371	4	1	0	43,669
Total - Scope 3 (Purchased Electricity)	2,873,701	217	44	0	2,892,254
TOTAL	14,598,884	33,412	210	0.9	15,516,724



NiSource 2018 Detailed Emissions By Company					
	CO2	CH4	N2O	SF6	Total (Tonnes CO2e)
Columbia Gas of Kentucky	5,467	1,591	0	0	45,272
Columbia Gas of Maryland	1,230	406	0	0	11,391
Columbia Gas of Massachusetts	14,070	2,855	0	0	85,485
Columbia Gas of Ohio	39,861	12,235	0	0	345,860
Columbia Gas Pennsylvania	16,992	5,843	0	0	163,123
Columbia Gas of Virginia	16,781	1,798	0	0	61,757
NIPSCO	14,495,566	8,683	209	0.9	14,794,864
NiSource Corporate	8,917	1	0	0	8,972
TOTAL	14,598,884	33,412	210	0.9	15,516,724



CLIMATE-RELATED RISKS AND OPPORTUNITIES

Risks	Assessment Summary
Policy	While we continue to reduce GHG emissions through priority pipeline replacement, energy efficiency, leak detection, and other programs, and expect to further reduce GHG emissions through increased use of renewable energy, GHG emissions are currently an expected aspect of the electric and natural gas business. Revised or additional future GHG legislation and/or regulation related to the generation of electricity or the extraction, production, distribution transmission, storage and end use of natural gas could materially impact our financial position, financial results and cash flows.
Technology	Energy conservation, energy efficiency, distributed generation, energy storage approaches favoring electric heat over gas heat and other factors may reduce energy demand.
Legal	The company monitors the financial and reputational risk associated with climate-related litigation claims.
Markets	Reduced demand for natural gas and electricity could result from a shift in customer preferences.
Reputation	Natural gas may cease to be viewed as an economically and environmentally attractive fuel, and certain groups may continue to oppose natural gas delivery and infrastructure investments because of perceived environmental impacts associated with the natural gas supply chain and end use.
Acute Physical	In the event of a major hurricane, tornado, flood, or other catastrophic event, a disruption or failure of natural gas distribution systems, or within electric generation, transmission, or distribution systems, could cause delays in completing sales, providing services, or performing other critical functions. The occurrence of such events could adversely affect our financial position and results of operations.
Chronic Physical	Climate change may exacerbate the risks to physical infrastructure. Such risks include heat stresses to power lines, storms that damage infrastructure, lake and sea level changes that damage the manner in which services are currently provided, droughts or other stresses on water used to supply services, and other extreme weather conditions. Climate change and the costs that may be associated with its impacts have the potential to affect our business, including increasing the cost we incur in providing our products and services, impacting the demand for and consumption of our products and services (due to change in both costs and weather patterns), and affecting the economic health of the regions in which we operate.

Opportunities	Assessment Summary
Resource Efficiency	Our primary business is to deliver natural gas safely and reliably to our customers and communities. We support environmentally responsible development of domestic natural gas supplies as a critical element in a clean and sustainable U.S. energy strategy. We also support development of new uses for natural gas, including the safe development of transportation fuel alternatives.
Energy Sources	The use of lower emission sources of energy, supportive policy incentives, and new technologies continue to provide climate-related opportunities for the company. The cost-effective transition to renewable energy at NIPSCO is supported by technological advances. This transition positions the company well for participation in any future carbon market. Additionally, renewable natural gas (RNG) is emerging as a potential energy source that helps provide a carbon-neutral or carbon-negative alternative for customers.
Products, Services and Markets	Increased domestic supply of natural gas, combined with low cost and positive environmental attributes, will continue to provide investment opportunities through the development and expansion of low emission goods and services. More companies are incorporating renewable energy into their siting criteria. As our electric supply transitions to more renewables, companies may find it more attractive to site within NIPSCO service territory. Furthermore, as the price of solar power continues to decline, opportunities to provide additional services to customers that manage decentralized energy generation along with our own renewable energy resources may become available.
Resilience	An increased focus on energy efficiency measures and renewable energy programs may allow the company to expand customer offerings. Also, case studies indicate that natural gas infrastructure (e.g. underground assets) and services exhibit significant physical resilience to climate-related events.





METHANE-RELATED STANDARDS AND POLICIES

Leak Detection and Monitoring	Each Operations Center has a leak inspection and control program to locate, monitor and eliminate natural gas leaks. Several methods may be used for performing leakage surveys and tests, including surface gas detection, subsurface gas detection, mobile surveys, vegetation surveys, pressure drop tests, exposed piping tests and odor and sound indication.
Leak Survey Frequency	Leakage surveys are conducted at intervals ranging from once per year to every five years depending upon the location and characteristics of the pipeline system. Increased leakage survey frequencies are considered based on particular circumstances and conditions.
Leak Classification and Response	All leaks are evaluated and classified by grade. Leaks are then re-evaluated regularly and/or eliminated by repair or replacement of the pipeline.
Reducing Emissions from Blowdowns	NiSource companies are reducing emissions from blowdowns. Through the use of flaring, NIPSCO reduced transmission blowdown methane emissions from 35,526 tonnes CO ₂ e in 2016 to 492 tonnes CO ₂ e in 2017 and 427 tonnes CO ₂ e in 2018 -- a 98% reduction.
Methane Management Policies	The NiSource Climate Change Policy states that the company will reduce methane losses from natural gas operations. To this end, the company has targeted a 50 percent reduction in emissions from main and service lines by 2025 from 2005 levels.

NIPSCO conducts an annual aerial survey of its 1,600 miles of natural gas transmission and high pressure distribution system with a remote methane leak detector (RMLD) to identify leaks for repair.



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