

BUILDING

CUSTOMER-FOCUSED ENERGY SOLUTIONS
ENVIRONMENTAL STEWARDSHIP
STRONG, STABLE COMMUNITIES
ENGAGED, ALIGNED AND SAFE TEAMS

SUSTAINABLE VALUE



2010 SUSTAINABILITY REPORT

Electric Operations

Gas Distribution

Building Sustainable Value

From a Balanced, Regulated Portfolio

Gas Transmission & Storage

NiSource Inc. (NYSE: NI) companies provide natural gas, electricity and other products and services to approximately 3.8 million customers from the Gulf Coast through the Midwest to New England.

Our Growth Strategy focuses on long-term, low-risk infrastructure investments across our balanced portfolio of rate-regulated businesses.

Gas Distribution

We serve more than 3.3 million residential, commercial and industrial natural gas customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts via approximately 59,000 miles of pipeline and related facilities.

Gas Transmission & Storage

We own and operate about 15,000 miles of interstate natural gas pipelines that transport supplies from production and storage regions to markets across 16 states and the District of Columbia. We also operate one of the nation's largest underground natural gas storage systems, with a total capacity of 640 billion cubic feet (Bcf), capable of delivering 4.8 Bcf of natural gas per day to our customers.

Electric Operations

Our electric business generates, transmits and distributes electricity to more than 450,000 customers in 20 counties in northern Indiana, and engages in wholesale and transmission transactions. Our electric supply portfolio includes both traditional and renewable generation sources, including natural gas, coal and hydroelectric, providing for a total system operating net capability of 3,322 megawatts (MW).

A MESSAGE FROM OUR PRESIDENT & CEO

On behalf of our Board of Directors and our management team, I am pleased to present NiSource's 2010 Corporate Sustainability Report.

As you will see in this report, we are working harder than ever to generate sustainable value for our customers and all our stakeholders through a balanced, forward-looking business approach. We are stepping up our investments in safety, reliability and environmental integrity across our businesses. We are engaging our talented team and the many diverse communities we serve in an ongoing effort to enhance the overall value to our services. And we are taking all these steps in a disciplined, thoughtful manner, with an emphasis on collaborative stakeholder engagement, solid execution, and transparent management.


At NiSource, this commitment to sustainability is not new. For more than a decade, a special committee of our Board of Directors has reviewed NiSource's sustainability practices, including environmental, health and safety performance. This year, we established the NiSource Sustainability Council to further drive our sustainability efforts. The council is led by a member of senior leadership and composed of representatives from across our organization. The Council will support implementation of our Sustainability Policy by recommending strategies and new initiatives, guiding our external reporting and promoting a culture of sustainability within NiSource. We believe this enterprise-level focus is essential to driving continued innovation, engagement and improvements across our organization as we build the premier company in our industry.

While there are many accomplishments highlighted in this report, you will also see areas where we are refocusing our efforts to reach our goals. As we have shown, we will embrace change where it is aligned with the interests of our stakeholders and consistent with our core values and commitments.

In short, we are serious about "Doing the Right Thing" – building a sustainable NiSource, with a legacy of steady economic growth, social responsibility and environmental stewardship. We will continue to report on our progress and the work of our Sustainability Council in guiding our future efforts.

Thank you for your interest and continued support of NiSource.

Sincerely,



Robert C. Skaggs, Jr.
President & CEO
NiSource Inc.

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BUILDING SUSTAINABLE VALUE THROUGH CUSTOMER- FOCUSED ENERGY SOLUTIONS

Building sustainable value is a commitment we make to all our stakeholders, but especially to our energy customers. The foundation of that commitment is our significant ongoing investment in the integrity, reliability and core operating efficiency of our energy infrastructure.

Investing in Energy Infrastructure

At NiSource, we have made a significant, long-term commitment to invest in the reliability and integrity of our energy infrastructure. In fact, during 2010, NiSource invested more than \$900 million on capital improvements – with the vast majority of that expenditure related to enhancements in the integrity of our energy infrastructure. During 2011, we are stepping up that investment even more, with capital expenditures up to \$1.1 billion.

To date, our most significant reliability and infrastructure enhancement investments have been in our natural gas utilities, where we are several years into an ongoing effort to replace large portions of our pipeline systems with modern, more corrosion-resistant materials. In total, we anticipate investing about \$4.4 billion dollars in this system modernization effort over the life of the program. These investments are in addition to our normal system operation and maintenance costs.

Our commitment to infrastructure investment also extends to our natural gas transmission and storage (NGT&S) and electric operations. During 2010, our NGT&S companies accelerated their industry-recognized pipeline integrity program, with investments of about \$126 million on NGT&S pipeline system improvements. Meanwhile, our NIPSCO electric business invested more than \$200 million during 2010 in projects designed to improve efficiency, reliability and convenience. These investments ranged from power station reliability enhancements to new customer service technologies, and have resulted in significant improvements for all our customers.

Delivering Energy Efficiency and Education Programs

Our commitment to sustainable value also is exemplified in our efforts to help customers use energy more efficiently and make it easier and more convenient for them to do business with us.

Through collaborative work with regulatory agencies, consumer groups and energy conservation experts, our natural gas and electric utilities have developed a broad range of special programs, incentives and innovative rate structures to help customers better understand, monitor and manage their energy use. Here are just a few examples:

- **Energy Efficiency Rebates:** Customers can purchase energy efficient appliances at lower cost with the difference paid for by the program. Energy efficient products may include ENERGY STAR® fixtures, windows, evaporative coolers, HVAC and refrigeration systems, programmable thermostats, pool pumps and motor replacements.
- **Energy Audits and Reports:** Analysis of energy use – and in some cases on-site inspections of a home or business – to help customers identify energy efficiency opportunities.
- **Appliance Recycling:** Taking inefficient appliances out of circulation with incentives for free recycling services for the customer.
- **Weatherization Programs:** Typically for income-eligible customers, these programs may provide home energy inspections, attic and wall insulation, air sealing, safety checks on appliances, and even furnace or water heater repair or replacement.
- **Education Programs:** Helping the general public, students, and builders or building operators become familiar with energy efficiency tools, techniques, and appliances.



MEETING AND EXCEEDING
OUR CUSTOMERS'
EXPECTATIONS THROUGH
THOUGHTFUL, INNOVATIVE
SOLUTIONS

FOLLOW US ON TWITTER, FRIEND US ON FACEBOOK

We realize today's energy consumers want to connect with us in more ways besides a monthly bill. That's why we are reaching out through social media, mobile technology and the Web. In fact, our use of technology to help spread the word about energy efficiency is one of the reasons Columbia Gas of Virginia's WarmWise energy efficiency and conservation program was recognized in the Southern Gas Association's (SGA) 2011 Marketing Best Practices competition for Energy Efficiency Marketing accomplishments in 2010. Here's how you can be a part of our WarmWise energy efficiency efforts on Twitter and Facebook.

www.facebook.com/warmwise
www.twitter.com/warmwiseva



- **Commercial & Industrial Incentives:** Offering financial incentives to qualifying large commercial, industrial, non-profit, government and educational institution customers for the completion of cost-effective energy projects involving the installation of new, high-efficiency equipment or systems.

One example of our commitment to energy conservation is Columbia Gas of Ohio's Home Performance Solutions Program (HPS). This program offers discounted home energy audits and rebates for qualified energy efficiency improvements for all customers.

In 2010, as part of the HPS program, Columbia Gas of Ohio partnered with the Corporation for Ohio Appalachian Development (COAD), a non-profit association of 17 community action agencies serving Appalachian Ohio. Together they took on an ambitious goal: weatherizing the entire town of Murray City in southeastern Ohio.

For neighborhoods or communities with income well below their geographic area's median income, the HPS program offers rebates of 90 percent on attic and wall insulation and air sealing. The entire village of Murray City qualified.

Each Murray City resident received a free home energy audit, a safety check of gas appliances and energy-efficient light bulbs. They were qualified for free or rebated air sealing, insulation for attics, walls, floors, pipes and ducts and new high-efficiency showerheads, refrigerators/freezers, furnaces and hot water heaters.

Examples of several other new energy efficiency programs include:

- **WarmWise in Virginia** – WarmWise is the overall brand used for a wide variety of Columbia Gas energy efficiency and conservation programs. One example of our WarmWise effort is in Virginia, where customers who complete a free online Home Savings Evaluation receive free products to reduce their use of hot water, which can save customers as much as \$130 per year. In addition, residential and small business customers can qualify for significant cash rebates when they invest in certain energy-saving upgrades.

- **Appliance Recycling in Indiana** – Since older, less efficient electric appliances cost more to operate, Indiana electric customers receive a \$35 cash incentive to recycle their old, inefficient refrigerator or freezer. Each appliance, removed at no cost to the customer, is then recycled in an environmentally responsible way.

Embracing Renewable Generation

At our NIPSCO electric business, we are offering opportunities for customers to generate their own electricity from renewable resources to offset their bills. In response to customers' interest, in 2010 NIPSCO started the process to expand this program up to 100 kilowatts from 10 kilowatts and to include commercial customers.

A pilot program under development will permit customers to connect approved renewable generation to the NIPSCO power grid and sell the electricity back to NIPSCO. This program will allow customers to connect up to 5 megawatts from solar, wind or bio-mass generation sources. The goal of the expanded program is to add up to 36 megawatts of electricity to the power grid, enough electricity to power about 10,000 homes for a year. In 2011, we filed to expand the program, and we will continue to report on efforts in this area.

Enhancing the Customer Experience through New Technology

We also are continuing to invest in new technology and online tools to make it easier and more convenient for customers to do business with us. Here are just a few examples:

- **Power Outage Map** – Using mapping technology and data from NIPSCO's customer contact centers, anyone with an Internet connection – either through a mobile device or traditional Internet connection – can see a map of our service territory and a list of current electric power outages.



RENEWABLE GENERATION

In addition to owning and operating two hydroelectric generating facilities along the Tippecanoe River, NIPSCO's electric portfolio includes 100 megawatts of purchased wind power.

BUILDING OUR TEAM THROUGH NEW TECHNOLOGY

Our mobile careers site introduced in 2010 is another web-based tool developed to make it easier for job seekers to connect with us and request additional information from NiSource recruiters. On average the site receives about 1,000 monthly visits.



Customers are able to see areas affected by an outage, number of customers affected, and when power is expected to be restored. When the data is available, it also lists the status and cause of the outage.

The NIPSCO Power Outage Map is part of an updated Storm Center information website available on www.nipsco.com, that also includes safety information. In future updates to the site, customers will be able to report an outage through the website via their computer or mobile device.

- **Online Streetlight Outage Reporting System** – NIPSCO also implemented an online streetlight outage reporting system in 2010. Since the activation of the online tool, streetlight outages are being reported in record numbers. Following proactive outreach to local officials and customers, the first three months of the new reporting system resulted in more streetlight outage reports than the previous 12 months combined. By visiting www.nipsco.com/streetlightout, customers can view a map with all NIPSCO-owned and maintained streetlights, and then click on the appropriate streetlight symbol on the map to generate a report. The system also lets customers know if the outage has already been reported, eliminating duplicate reports.
- **On the Move** – As part of our broader technology strategy, we also are implementing new technology to enable customers across NiSource's companies to complete billing transactions and more actively manage their experience using their mobile devices. Watch for continued advancements on this front and many others in future reports.

Modernizing Infrastructure, Improving Customer Satisfaction

Automated Meter Reading (AMR) devices enable our companies to obtain accurate meter readings remotely from indoor and hard-to-access gas meters. The new technology is part of our commitment to upgrading our infrastructure and continuing to improve customer satisfaction. The AMR system uses a small battery-powered transmitter to read natural gas meters from a nearby vehicle. As the specially equipped vehicle drives by, it sends a

signal to the device, which in turn transmits the meter reading data to a computer in the vehicle. Once the data is collected, it is then supplied to the billing system where it is matched to the customer's account number. In 2010, our companies installed over 380,000 AMR devices and have installed over one million in total. In 2011, installation of AMR devices continues with the start of an upgrade project in Pennsylvania, which will include more than 350,000 customers over two years.

Supporting the Environment, Saving Time

In 2010, our NiSource utilities initiated a campaign to encourage customers to sign up for our e-Bill electronic online billing. E-Bill is one way we're making it easier to do business with us.

For each customer who signed up for e-Bill between January 1 and April 1, 2010, we contributed \$10 to The Nature Conservancy's "Plant a Billion Trees" reforestation effort. Each \$10 contribution equates to restoring 10 trees per customer. Over the course of the partnership, 19,189 customers signed up for paperless billing, and more than 190,000 trees were planted through the Nature Conservancy project. The Nature Conservancy estimates that this reforestation effort overall will remove 10 million tons of carbon dioxide from the atmosphere every year.

For every 20,000 paper-based bills we convert to e-Bill, we reduce our landfill waste by more than 1,000 pounds, curb greenhouse gases by about 2,500 pounds, and save approximately 8,000 gallons of water in the production and distribution processes. In addition to environmental benefits, transitioning to e-Bill reduces operating costs for our companies, who no longer have to print and process paper bills.

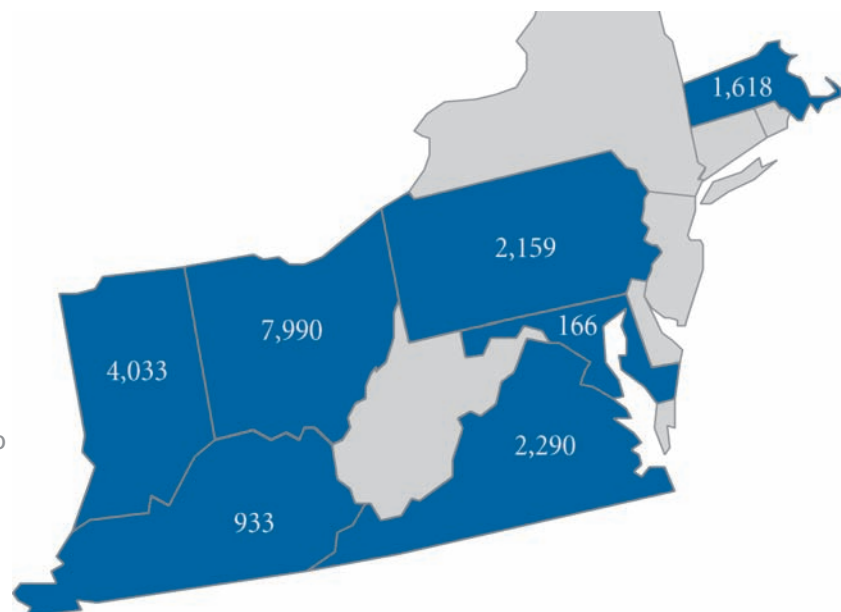
As of December 31, 2010, about 71,000 customers receive their bill via e-Bill. In addition, more than 200,000 customers participate in our CheckFree program, which allows customers to consolidate various bills into a single location on the Internet. Customers can also use CheckFree to pay their bills automatically via a secure website at no charge.

We are continuing the campaign and partnership with The Nature Conservancy in 2011, supporting local freshwater conservation projects. We are also looking at additional promotions and opportunities to educate and provide customers the convenience of transitioning to e-Bill.



SIGN-UPS BY STATE

For each customer who signed up for e-Bill between January 1 and April 1, 2010, we contributed \$10 to the Nature Conservancy.



GREEN RANKINGS

In 2010, NiSource was recognized in *Newsweek's* "Green Rankings" of the nation's largest corporations – tenth out of 32 of the largest U.S. utilities, and fifth for environmental policies and performance.



BUILDING SUSTAINABLE VALUE THROUGH ENVIRONMENTAL STEWARDSHIP

One of the foundations of NiSource's commitment to building sustainable value is our significant ongoing investment in providing cleaner, more efficient and affordable energy supplies. That investment comes in many forms: improving air quality in our areas of operations; addressing climate change; conserving water and resources; and serving as responsible stewards of natural and environmental resources. For the last 15 years, we have been a recognized leader in the steps taken to limit impacts on the environment, and in many cases, improve past impacts through remediation programs.

We employ more than 60 dedicated environmental specialists – supported by our dedicated overall workforce of 7,500 aligned and engaged team members – with a singular focus on improving and addressing air quality and climate change; water usage and conservation; remediation; and waste reduction and recycling. Our systems and programs, some of which are highlighted here, are integrated to enable this team to track, monitor, and report progress to all of our stakeholders, enhancing and assuring compliance.

- Our Work Management Systems document the completion of regulatory-required tasks and track data for compliance reporting.
- Our Environment Health & Safety (EHS) Auditing and Corrective Action Tracking System is used to evaluate all NiSource facilities on a periodic basis to determine compliance with EHS requirements based upon their risk to the Corporation. Any non-conformances identified are placed into the corrective actions management tool and tracked to closure or resolution. The system allows for data trending to proactively take corrective measures across the system.
- Our Regulatory Tracking System tracks regulatory changes and analyzes the impact on operations.

Improving Air Quality

Over the last 10 years, NiSource has focused efforts on reducing sulfur dioxide (SO₂) and nitrogen oxide (NO_x) emissions, investing more than \$300 million in the installation and/or upgrade of emission controls at its NIPSCO electric generating stations.

We reduced NO_x emissions through the installation of low NO_x burners, over-fire air systems, selective catalytic reduction (SCR), and combustion control NO_x reduction technology.

In the early 1990's, NIPSCO achieved a nearly 70 percent decrease in SO₂ as a result of installing flue gas desulfurization (FGD) scrubber technology and converting to low sulfur coal on some units. To date, more than half of NIPSCO's coal-fired generation units are equipped with SO₂ scrubbers, exceeding the national average, with a commitment to have 100 percent of our coal units scrubbed by 2018.

During 2010, our SO₂ emission rate dropped to 5.93 pounds per megawatt hour, down from 6.72 in 2009, as a result of the continued upgrades to our scrubbers. By 2018, supporting our commitment to providing cleaner, more efficient and affordable energy through investment and innovation, NIPSCO's NO_x and SO₂ emissions are expected to be reduced by an additional 35 percent and 80 percent, respectively, below current levels.

NIPSCO remains committed to further reducing its environmental impact through investments in additional state-of-the-art pollution-control equipment and new clean energy solutions for our customers.

Addressing Climate Change

We are committed to reducing our carbon footprint and the greenhouse gas (GHG) emissions that result from our business of generating and transporting energy. We have established a carbon intensity reduction target of 7 percent from 2001 levels by 2012.



IMPROVING AIR QUALITY
AND REDUCING EMISSIONS



CARBON INTENSITY

Over a 10-year period, NIPSCO's carbon intensity was reduced from 2,408 to 2,181 lbs. of GHG per MW/Hr in 2010 by investing in infrastructure and innovation of operations.

In 2001, NiSource emitted 23,801,000 metric tons of greenhouse gas. As of December 31, 2010, we have reduced our GHG intensity by 8.3 percent. Along with our reduction efforts, NiSource continues to advocate – at the state and national levels – for cost-effective, market-based, economy-wide regulations that encourage the deployment of new clean energy technologies and the increased use of domestically available natural gas.

Electric Generation – Approximately 77 percent of NIPSCO's electric generation capacity is coal-based. Coal remains a low-cost, abundant domestic source of fuel for electric generation. Nearly half of the nation's daily electricity comes from coal, and we believe that coal will need to continue to be a significant component of America's energy mix for the foreseeable future. However, NIPSCO has diversified its generation fuel mix by shutting down its coal-based D.H. Mitchell Station and replacing its capacity with the highly efficient natural gas combined-cycle Sugar Creek Plant, which produces half the carbon intensity.

Based on 2010 data, NIPSCO's coal fleet is responsible for generating about 65 percent of NiSource's GHG emissions. The majority of our capital investment opportunities for GHG reductions has been, and will continue to be, in our electric business, including:

- Retiring the coal-fired units at our D. H. Mitchell generating station
- Producing electricity via natural gas-fired combined cycle gas turbine (Sugar Creek Plant) at approximately half of the carbon intensity of a coal-fired power plant
- Investing more than \$50 million in capital projects, including electric steam turbine replacements, turbine control system upgrades, and neural network artificial intelligence system installations designed to improve electric generation efficiency
- Adding 100 megawatts of leased wind generation capacity.

Gas Transmission & Storage – NiSource has initiated a carbon credit program to identify the fugitive methane loss from natural gas compressor stations in our NGT&S companies,

and to repair or replace equipment to reduce fugitive gas loss. Through 2009, we have achieved a cumulative reduction of approximately 338,450,000 standard cubic feet (scf) of natural gas loss and prevented the release of approximately 135,700 metric tonnes of CO₂ equivalent (CO₂e) GHG.

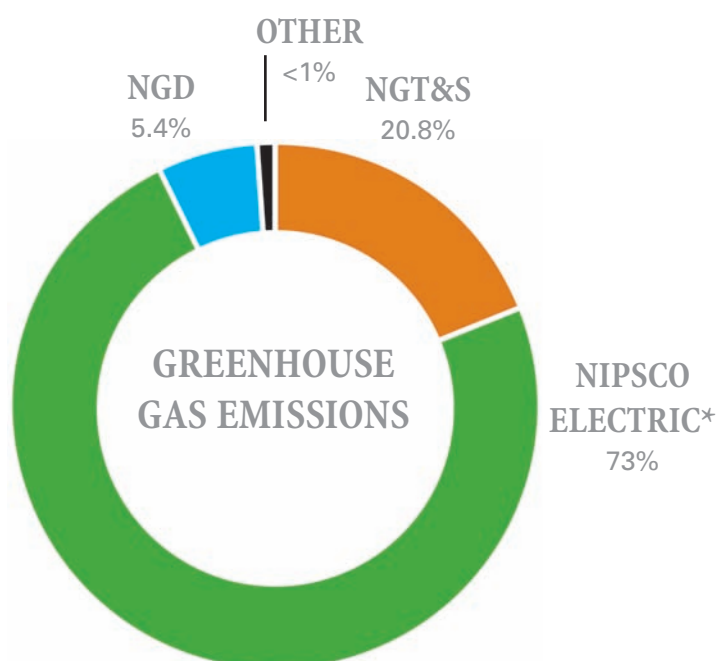
Our Columbia Gulf Transmission Company is pioneering a program in the industry to reduce greenhouse gas emissions and create marketable emission reduction credits through the Voluntary Carbon Standard. When registered, the sale of the emission reduction credits can help offset the costs associated with creating voluntary reductions of greenhouse gases. Columbia Gas Transmission is following this path to further expand the reduction opportunities.

We will continue to pursue emission reduction programs, including:

- Gas loss surveys and leakage reduction programs
- Replacement of certain pneumatic devices
- Installation of lower emitting turbines and engines at compressor stations
- Use of ultrasonic meters and other new technology to better identify and fix leaks
- Installation of electric starters on compressor engines
- Capture and recycling of methane and volatile organics from liquids storage tanks
- Installation of reduced emission control technology on existing engines.

Conserving Water Resources

Being good stewards of the environment includes programs for land, air, and water. As part of our commitment to sustainability, NiSource strives to conserve fresh water resources, including within the Great Lakes and Mississippi River Basins. All of our electric generating stations and compressor stations that discharge water are regulated under EPA's National Pollutant Discharge Elimination System (NPDES) of permitting for water quality.



See detailed chart in Data Tables.

* Includes purchased power

Since 2001, NIPSCO has reduced its greenhouse gas emissions by the equivalent of taking about 60,000 cars off the road each year.



COPPER REDUCTIONS

NIPSCO reduced the amount of copper it releases from the company's Michigan City generating facility by more than 90 percent in the last three years.

Electric Generating Stations – NIPSCO's coal-fired and combined cycle natural gas turbine units withdraw water both to generate steam and to provide cooling water for condensers. The Bailly and Michigan City Generating Stations draw their water from Lake Michigan and one of its tributaries. The R.M. Schahfer and Sugar Creek Generating Stations draw their water from the Kankakee and Wabash Rivers, respectively.

Shutdown of the D. H. Mitchell facility reduced water intake on Lake Michigan by approximately 250 million gallons per day. We replaced this facility with Sugar Creek, which withdraws 1.5 million gallons from a groundwater source outside of the Great Lakes Basin.

NiSource is committed to reducing the impact of energy generation on natural resources and we continue to explore alternative methods of generating electricity that reduce air emissions, minimize water usage and improve water quality.

Reducing, Reusing, Recycling

For more than 30 years, our electric operations have focused on programs to reduce, reuse, and recycle solid waste, specifically for ash, slag, and gypsum bi-products. Ash is sold to the concrete industry as an additive, slag is used in sandblasting applications, and gypsum is made into wallboard.

We continue to evaluate and implement recycling programs across the company that include paper, cardboard, batteries, scrap metal, and light bulbs for opportunities to improve.

Engaged Employees Reducing, Recycling, Restoring

In 2010, Columbia Gas of Massachusetts' Lawrence Operating Center recognized the importance of creating a more sustainable workplace. Employees formed a "Go Green" team focused on encouraging the adoption of environmentally-responsible habits and the implementation of office-wide "green" practices that encourage and incentivize recycling, waste reduction, and carpooling.

NiSource's Supply Chain Services' recycling team is celebrating the first anniversary of the "Naturally NiSource" office recycling program. In our Columbus, Ohio office, employees teamed

up with a Midwest recycling company to recycle plastic, glass, cans and paper. Estimated results for the first year include:

- Collected 79,848 pounds of recyclable materials
- Saved at least 168 trees
- Reduced water consumption by 2,141,688 gallons

NiSource employees in Indiana formed the NiSource Environmental Action Team (NEAT) at NIPSCO whose mission is to provide environmental education and assistance with environmental restoration efforts in our communities. In 2010, NEAT participated in a Lake Michigan beach cleanup, a brush-clearing project to help remove invasive species, and an office supply roundup, where extra supplies were donated to local schools and non-profit organizations.

Preserving and Educating for Future Generations

Whether through our employee-led environmental/recycling teams, supporting a weed management program, promoting biodiversity through our leadership role in developing a Habitat Conservation Plan (HCP) for our entire interstate natural gas pipeline system, or purchasing and distributing hybrid vehicles across our companies, our business practices are building a more sustainable and cleaner environment.

NIPSCO – NIPSCO manages areas adjacent to its right-of-ways (ROW's) in partnership with five organizations: The Nature Conservancy, the Shirley Heinze Land Trust (SHLT), the National Park Service, the Indiana Department of Natural Resources, and Save the Dunes.

For more than 13 years, NIPSCO has been an active partner with SHLT. This group acquires and restores land across northern Indiana, provides



RECYCLING

77 percent of the solid waste from NIPSCO's electric generation is recycled into other materials.
97 percent of waste liquids from our natural gas pipelines are recycled into refined fuels.



educational programs to inform the public about the area's rich natural history, and offers numerous volunteer opportunities. NIPSCO has given more than \$64,500 to the SHLT to restore ecologically significant natural areas in Northwest Indiana. In 2009, SHLT was awarded \$75,000 by the NiSource Charitable Foundation for the acquisition of a 31-acre wetland parcel on the Little Calumet River in Chesterton, Indiana.

In 1994, NIPSCO donated 640 acres next to the Schahfer Generating Station near Wheatfield, Indiana, to the Indiana Department of Natural Resources as part of the newly formed Indiana Grand Kankakee Marsh Restoration Project. Through ongoing collaboration, NIPSCO helped spark one of the most successful restoration efforts in the country, resulting in the acquisition to date of nearly 9,900 acres, restoration of 6,800 acres, and enhancement of nearly 4,000 acres of wetland and associated upland.

Columbia Gas of Virginia – Columbia Gas of Virginia's Bear Garden Project is an example of biodiversity leadership in action. The 13.3 miles of newly constructed pipeline facilities cross 37 different landowners, a river, several tributaries, and numerous roads before reaching the customer.

Some of the steps we have taken to protect biodiversity include:

- Avoiding a cluster of Small Whorled Pogonia, a listed threatened and endangered species
- Avoiding sensitive trout habitats with horizontal directional drilling construction methods
- Narrowing construction areas in sensitive areas
- Implementing full-time inspection and monitoring of construction activities for increased protection of sensitive areas
- Using matting composed of biodegradable materials to reduce erosion and promote native grass growth in more than 75 percent of the pipeline route
- Planting a wide variety of native plants and wildflowers.

BUILDING SUSTAINABLE VALUE THROUGH STRONG, STABLE COMMUNITIES

Building sustainable value is a commitment to the strength and stability of the communities where we operate. From developing collaborative solutions and partnering with our stakeholders to investing in the modernization of our infrastructure and supporting communities and customers in times of need, we have a shared interest in the future.

NiSource's assets and employees span more than 16 states and serve more than 3.8 million customers. Our presence in these communities spans decades, and in some cases, more than a century. This long-standing relationship between our employees, our companies and the local community is part of the culture we embrace across our footprint.

Support comes in many forms, including jobs creation, new infrastructure investments, charitable contributions, local volunteers, safety awareness and education programs, to name a few. In addition, our tax dollars, exceeding \$400 million in 2010, go directly to support schools and local communities.

Investing in Jobs and Economic Development

Investments in our infrastructure contribute to the local community through new jobs, local spending and the continued investment in a safe, reliable and more modern energy system, as well as ongoing economic development efforts in the region.

One of our NiSource Gas Transmission & Storage companies in 2010 completed an \$80 million series of projects in southwestern Pennsylvania. These projects, spanning more than a year of work, employed more than 300 contractors and created eight additional full-time local positions. The



SUPPORTING STRONG COMMUNITIES

In 2010, Columbia Gas of Kentucky focused on the increased needs of families in their service area. Through their WarmWise low-income furnace replacement program, in the first 10 months of the program, 63 furnaces were replaced with new high efficiency equipment.

“During these difficult times, we felt it was more important than ever to provide strong corporate-wide support. Through the NiSource *Supporting Those in Need* campaign, we are focusing and leveraging our various giving channels to have an even greater impact in the community.”

Robert. C. Skaggs, Jr.
NiSource Inc.
President and CEO



pipeline and compression project gathers and delivers more than 325,000 dekatherms of Marcellus production gas to a processing facility owned by MarkWest.

Supporting Those in Need through Charitable Giving

In 2010, NiSource companies provided a record level of more than \$6.8 million in charitable donations to local, regional and national organizations. This unprecedented level of support is a testament of our commitment to the communities we serve.

In the face of 2010's tough economic conditions, NiSource launched our *Supporting Those in Need* campaign, which directed more than \$3.5 million to human service organizations across its operating areas. As part of the outreach efforts, the NGT&S companies donated \$120,000 to 12 food banks across Louisiana, North Carolina, Ohio, Pennsylvania, Tennessee, Washington D.C., and West Virginia.

Our employees also play a critical role in our philanthropic efforts, donating significant time and money to causes and organizations they believe in. NiSource supports and encourages this involvement through its *Dollars for Doers* program. This program contributes up to \$500 per employee to an organization in return for volunteer time, and helps ensure we continue to support organizations our employees care about most. In 2010, we gave over \$73,000 to local organizations through the program.

Supporting Customers in Need

NiSource local distribution companies actively support and implement the Low-Income Home Energy Assistance Program (LIHEAP) for our customers. The federally funded, state-administered social services program offers financial assistance to qualifying low-income households who require support in paying their home heating or cooling bills. NiSource customers received more than \$80 million in the 2009-2010 winter season. In addition, most of our distribution companies have additional programs in place to support low-income customers.

Building a Diverse Supply Chain

Building relationships with diverse suppliers helps us engage a wider range of suppliers, which means we harness innovative ideas and processes, gain a competitive advantage, and assist in building community infrastructure through employment and training.

In 2009, NiSource launched a supplier diversity program, spending nearly \$15 million with diverse suppliers. In 2010, that number increased threefold. We are on track for exponential growth in this area, including leveraging best practices with fellow utilities and technology to identify and cultivate a pipeline of diverse suppliers.

As part of the program, we're committed to mentoring and developing relationships with diverse vendors. For example, we actively pursue opportunities to connect with diverse suppliers, including participating in and hosting industry and diversity events across our service area. In addition, we collaborate with public/private advocacy organizations such as American Association of Blacks in Energy and Indiana Energy Association to coach and develop suppliers to enhance their value to the corporation and increase their economic value in the community.

In 2010, we hosted a Supplier Diversity Open House to introduce diverse suppliers to NiSource supply chain procurement professionals and employees. More than a dozen diverse suppliers were showcased at our offices in Columbus, Ohio. Our diversity team also sponsored and participated in several events, including the Ohio, Indiana and Maryland Small Business Opportunity Fairs and Minority Supplier Diversity Conferences.

We also support and participate in the Ohio Small Business Administration (SBA) Matchmaker Program, which offers small business exposure and an opportunity to participate in government and corporate procurement opportunities.



SUPPLIER DIVERSITY

Economic inclusion develops stronger local communities, creates jobs, and long-term growth. We are committed to offering diverse suppliers an opportunity to succeed.

We collaborate with the American Association of Blacks in Energy; Edison Electric Institute, Supplier Diversity Subcommittee; Indiana Energy Association, Supplier Diversity Subcommittee; Maryland/DC Utility Forum; National Minority Supplier Development Council/Utility Industry Group; Ohio GATE Advisory Council; and various regional Chambers of Commerce.



Building Community Awareness

Having access to information about the safe and responsible use of energy is critical to a safe home and community.

NiSource engages in public awareness programs across all of our companies, including participation in state One Call programs. These awareness programs also include partnerships with fire departments and emergency personnel, as well as with local contractors, towns and cities, to minimize the risk of personal injury or damage to our energy infrastructure and to properly educate first responders on how to respond to a natural gas emergency.

We are continuously seeking ways to improve this effort. For example, at Columbia Gas of Pennsylvania, a new grant program launched in 2010 assists local volunteer fire departments in obtaining the resources and training necessary to respond to natural gas incidents. In addition to grants to support the purchase of equipment, training opportunities in safely responding to a natural gas incident are provided to volunteer firefighters.

In total across our NiSource companies, we invested more than \$1.5 million in our public awareness programs.

Building Connections – Our Outreach Approach

Across NiSource, we are committed to developing collaborative solutions while addressing critical needs and building resources for the future. We have many stakeholders who have a unique interest in our business. They include groups such as customers, employees, community neighbors, local organizations, public officials, regulators, suppliers, financial analysts, news media, shareholders, and many others.

Here are just a few examples of how we work to actively engage key stakeholders for our company:

- **Customers** through our service interactions and experience, mailings, websites, newsletters and press releases, feedback through customer surveys following recent interactions and direct engagement on our community action panels

- **Media** consumers through the voices of our team members and our key stakeholders, editorial positions, and news releases
- **Public officials** through participation in public forums, economic development and job creation efforts, regulatory filings and company reports
- **Community organizations** through active outreach, involvement as volunteers or supporters, and through affiliation with local associations or organizations
- **Employees** through ongoing informal dialog supplemented by our formal engagement efforts, such as performance and development programs, internal communication channels, employee gatherings, and our annual employee engagement survey

Through our daily work to install, maintain and improve our infrastructure to partnering with state and local officials to attract local investment, we are generating shared value and addressing human services, educational, public safety, and environmental conservation needs.

BUILDING SUSTAINABLE VALUE THROUGH ENGAGED, ALIGNED AND SAFE TEAMS

Sustainable value is a commitment we make to our employees. We're developing a strong foundation of engaged employees, ensuring leaders for the future, and strengthening our safety culture with a focus on continued improvement.

Building a Strong Foundation of Engaged Employees

Having a strong foundation of engaged, aligned and safe employees is key to creating long-term value for our customers, shareholders and employees. There is strong evidence of a link between engaged employees



HAVING A STRONG
FOUNDATION OF
ENGAGED, ALIGNED AND
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AND EMPLOYEES



and organization performance, and research shows that engaged employees are more willing to take on new challenges, improve processes and provide higher levels of customer satisfaction. To measure overall engagement, we include categories of communication and coaching; involvement and commitment; recognition and rewards; personal development and growth; and execution and business results. By 2015, our goal is to be in the top decile among our peers in employee engagement.

Our 2010 Employee Engagement survey indicated a high overall engagement level of 71 percent, with an outstanding survey participation rate of 92 percent. These results show a strong foundation of overall employee engagement, and reflected a two percent improvement over 2009. In fact, we saw improvement across nearly every dimension of engagement, with six areas improving by more than four percent.

Our strong overall performance and continued improvement in employee engagement helped earn NiSource the designation of a 'high performer' by TNS Employee Insights, a global employee engagement survey firm and a national leader in employee engagement research. Inclusion in the high performance normative benchmarking group was based on a combination of financial performance and industry leadership, as well as our focus on continuous improvement and employee engagement.

Our employee engagement survey results are used to learn more about how we can meet the needs of our diverse workplace and improve performance. We review survey results at all levels of the organization and communicate the results broadly to employees. Action plans to improve performance are encouraged at all levels of the organization, and tools to create an engagement action plan are provided.

Ensuring Safety

We have a fundamental responsibility to ensure personal and public safety, and work tirelessly to be a top safety performer in our industry. Our leaders and employees set consistently high expectations, and by 2015, our goal is to be in the top decile among our peers for safety performance.

Reaching these goals requires that we create and maintain a safety culture – an environment in which all members of our team take personal responsibility and ownership for their safety, as well as the safety of their coworkers and the customers and communities we serve.

Common industry benchmarks used to measure safety performance are the Occupational Safety and Health Administration's (OSHA) incidence rate, which includes all work-related injuries and illnesses, and the OSHA Days Away, Restricted or Transferred (DART) rate, which includes days employees are unable to work due to an injury, where employees are on restricted job duties and where employees are transferred out of their current position because they are physically unable to perform their job duties due to an injury.

Our goal for incidents will always be zero. As part of our approach to safety, we have set annual milestones towards our goal. In 2010 we saw improved performance in safety measures year over year; however, we still have significant steps to take to reach our goals.

Columbia Gas of Maryland, Columbia Gas of Virginia, Columbia Gas of Kentucky and Crossroads Pipeline all achieved our goal of no OSHA injuries in 2010. Additionally, Crossroads Pipeline, Northern Indiana Fuel and Light and Kokomo Gas and Fuel all completed 2010 with no preventable vehicle accidents.

Several of our companies also were recognized by the American Gas Association for their safety performance in 2010. Columbia Gas of Maryland, Columbia Gas of Virginia and Columbia Gas of Kentucky all received Safety Achievement Awards.

SAFETY	2009 MILESTONE	2010 MILESTONE	2010 ACTUAL	2011 MILESTONE
OSHA INCIDENT RATE	3.32	2.86	2.87	2.49
DAYS AWAY RESTRICTED OR TRANSFERRED RATE (DART)	1.76	1.42	1.60	1.21

Note: Incident rates are one method of showing the relative level of injuries and illnesses among different industries or operations within a single firm. Because a common base and specific time period is involved, these rates can help determine both potential problem areas and progress in preventing work-related events. The incident rates are derived from the following formula: $(\text{Number of Injuries and Illnesses} \times 200,000) / \text{Employee Hours Worked} = \text{Incident Rate}$

**CREATING AND
MAINTAINING A SAFETY
CULTURE**

LEADERSHIP NISOURCE

Introduced in 2010, Leadership NiSource is a year-long program that brings leaders together to practice and develop new skills and build critical leadership capabilities. Trainings include Leading & Engaging Others, Leading Strategy, Driving Improvements, and Leading Change. In 2010, 15 leaders participated in the program; 18 are participating in 2011.

In 2010 we took several steps to continue our focus on building a safety culture, including:

- Implementing five “Life Saving Rules” in our Gas Transmission & Storage companies to build personal accountability
- Developing an engineering and construction contractor safety management process
- Improving the job planning process by integrating job plans and job hazard analysis to minimize risk through engineering and administrative controls
- Developing a Safety Alert database for enhanced tracking and analysis of significant safety events
- Conducting first aid/CPR training for over 1,800 employees
- Implementing a new mobile phone policy that requires all employees to complete a distracted driving training and avoid the use of mobile phones while driving
- Beginning to implement a new interactive driving course through our online learning management system to improve driving performance
- Developing a safe driver program to change driving behavior of employees
- Developing safety plans and targeted safety communications for non-operations employees
- Implementing an office ergonomics training program to reduce repetitive motion and soft tissue injuries

These efforts continue into 2011, and we will report on our steps to building and maintaining a safety culture in future reports.

Building Leaders

Key to our success and the future of our company is the development of future leaders. One of our top initiatives in 2011 is to deepen and expand our leadership capabilities. We’re developing and implementing an integrated process to strengthen and fill our leadership pipeline, with opportunities to help our employees maximize their potential and develop at every level.

All employees receive company-provided training needed to perform their jobs, and many different training and development tools are available for employees:

- **Electronic Learning Management System (LMS):** LMS is our online system used to facilitate and track completion of all required training courses to ensure compliance with applicable regulations. It also houses many other developmental training courses and provides opportunities for professional and skills development. LMS shows an employee's learning history, as well as a catalog of training topics that are available in categories including performance management, business education, computer skills, customer service, environmental, health and safety, employee development, leadership, regulatory compliance, and wellness. Additional online training courses provide resources on 43 different leadership competencies that are required to be an effective leader, including a focus on front line leader, manager, and executive competencies, as well those that are core to all leaders.
- **Ethics and Compliance:** We are committed to transparency and the highest ethical standards and believe that good, ethical business conduct is the foundation of our workplace. All employees are required to complete annual ethics training. In 2010, three modules were introduced: Information Security, Equal Employment Opportunity; and the NiSource Code of Business Conduct. In addition, quarterly ethics and compliance bulletins, issued by senior leaders, are available to all employees and highlight different policies and projects underway to support our commitment to a strong culture of ethics and compliance.

When ethical issues arise, we have a fair and thorough investigation process that is applied consistently across the organization. That process begins with a full review of the facts for each reported incident. In 2010, we investigated



**GOOD ETHICAL BUSINESS
CONDUCT IS THE
FOUNDATION OF OUR
WORKPLACE**

GREEN BELT

In 2011, a four-month Six-Sigma-based training program was introduced to improve process skills across NiSource. While learning the Green Belt skills, the participants immediately applied the knowledge to specific projects for hands on training.

CADRE DEVELOPMENT PROGRAM

In 2011, NiSource introduced a Cadre Development program that will develop a 'pool' of individuals with the knowledge and skills to coach project teams in the areas of facilitative leadership, change management, project start-up and team development. There are 36 participants in the program's inaugural year.

48 ethics cases and found 29 to involve company policies or our code of conduct. We closed cases in an average of 15 days, compared to an all-industry average of 29 days. We take these investigations seriously and apply appropriate discipline when warranted, ranging from letters of information up to termination.

- **Development Model:** Our leadership model focuses on developing employees at all levels: individual contributors, leaders of people, leaders of leaders, and leaders of organization. Different training opportunities are offered across NiSource to develop in targeted competencies. In addition, online competency guides and skill assessments to help future and current leaders identify areas for development are available.

Our Leader Development opportunities include:

- Business of Supervising
- Rate Making
- Developing Others
- Basic Financial Acumen
- Powerful Conversations
- Managing Conflict
- Leading Effective Teams
- Building Trust in the Workplace
- Achieving Results
- Building Strategic Working Relationships
- Strategic Thinking
- Leading Change
- Improving Business Process

Each year, working with their managers, employees determine personal development areas of focus.

In 2010, over 1,200 leaders participated in more than 30 training opportunities.

Fostering Inclusion and Diversity

At NiSource, our success depends on our ability to be open to new ways of thinking that can help make us a better community partner and a stronger company. Diversity is an essential part of who we are. It helps us meet our commitment to customers, and creates richer, more rewarding careers for everyone on our team.

In 2010, we focused our attention on inclusion and diversity (I&D), with the vision to foster an inclusive environment that values and respects the diversity of our customers, communities and employees by encouraging people to be themselves, achieve their full potential and contribute toward NiSource's aspiration to become the premier energy company in our industry. We believe that inclusion will enhance company performance, customer satisfaction, community and business relationships, employee engagement and shareholder value.

Across NiSource we're engaged in I&D initiatives. We have conducted significant research on best practices, defined our business case for I&D, and are now focused on building awareness, understanding and engagement across the organization. We have established state-level councils to engage local employees in driving local initiatives. Moving ahead, we will create and expand a sustainable structure, including a focus in our corporate services organization, that complements our plans, enhances employee development, promotes I&D initiatives, encourages creativity, and focuses on local needs. We also will measure our progress in our I&D initiatives, and we will continue to report on this initiative in future reports.



INCLUSION & DIVERSITY

Inclusion – Facilitates exchange of new perspectives, creates a respectful and accepting work environment, and improves problem solving by inviting different ideas.

Diversity – Representation from all walks of life and all backgrounds, as well as respect and consideration for different world views and cultures.

DATA TABLES

Corporate Profile

Number of Employees		
2008	2009	2010
7,981	7,616	7,604

Financials

Year	Total Net Revenues (Gross Revenues Less Cost of Sales, Excl. Depr and Amortization)	Total Operating Expenses	Total Capitalization – Equity	Total Capitalization – Debt
2010	\$3,447.9	\$2,541.6	\$4,923.2	\$5,936.1
2009	\$3,332.6	\$2,547.6	\$4,854.1	\$5,969.1
2008	\$3,246.9	\$2,340.2	\$4,728.8	\$5,943.9

NiSource Subsidiaries

Columbia Gas of Kentucky
Columbia Gas of Maryland
Columbia Gas of Massachusetts
Columbia Gas of Ohio
Columbia Gas of Pennsylvania
Columbia Gas of Virginia
Columbia Gas Transmission

Columbia Gulf Transmission
Crossroads Pipeline
Kokomo Gas and Fuel
Northern Indiana Fuel and Light
Northern Indiana Public Service Company (NIPSCO)
NiSource Retail Services

Customer Satisfaction

NI Corporate Balanced Scorecard Customer Service			
	2010 Target	2010 Actual	2011 Target
Overall Satisfaction % of natural gas and electric distribution customers who say NiSource company met or exceeded their expectations in recent interaction	88%	88%	89%

Political Engagement and Industry Associations

Public policy decisions can affect our businesses, and at NiSource we believe that engaging in the political process is in the best interest of our company, our employees and our stakeholders. We track proposed legislation at the federal, state and local level and advocate our position when appropriate. We strive to educate public officials about our businesses and the impacts of potential policy decisions and also participate in industry trade associations to assist in developing industry-wide positions, including memberships in the Interstate Natural Gas Association of America (INGAA), Edison Electric Institute (EEI), and the American Gas Association (AGA).

NiSource's Political Action Committee (NIPAC) provides our employees a voice in the political process. NIPAC is a voluntary, employee political action committee and through NIPAC, we make bipartisan political contributions when permitted by law and in accordance with established guidelines. We comply with all Federal Election Commission and state regulations, and PAC contributions are publicly disclosed in our filings with state and federal election commissions and agencies.

LIHEAP Funding for NiSource Customers

LIHEAP Funds by Fiscal Year			
	2007/2008	2008/2009	2009/2010
Total	\$61,706,815	\$101,577,296	\$80,852,352

Building Strong, Stable Communities – Charitable Giving

Supporting Those in Need Program	
2009	2010
More than \$2 Million	\$3.5 Million

2010 Employee Scholarship Program
15 Scholarships Awarded at \$1,000 per Year for Up to 4 Years

Dollars for Doers Program	
2009	2010
\$61,000	\$73,000

Water Usage

Steam turbine electrical generating units use large quantities of water in their processes. The majority of this water, however, is either recirculated or returned to the source body of water. The following table shows the estimated water usage during 2010:

Station	Million Gallons*			Consumption		2010 Gallons/MW hr
	Withdrawal	Return	Consumption	Gal	MWh	
Michigan City	4,820.47	2,920.02	1,900.45	1,900,450,000	2,379,564	798.65
Bailly	81,420.29	81,333.43	86.86	86,860,000	2,458,850	35.33
R.M. Schahfer	11,826.53	6,086.73	5739.8	5,739,800,000	10,628,796	540.02
Sugar Creek	544.32	200.3	344.2	344,020,000	1,591,983	216.10
Total	98,611.61	90,540.48	8,071.13	8,071,130,000	17,059,193	473.12

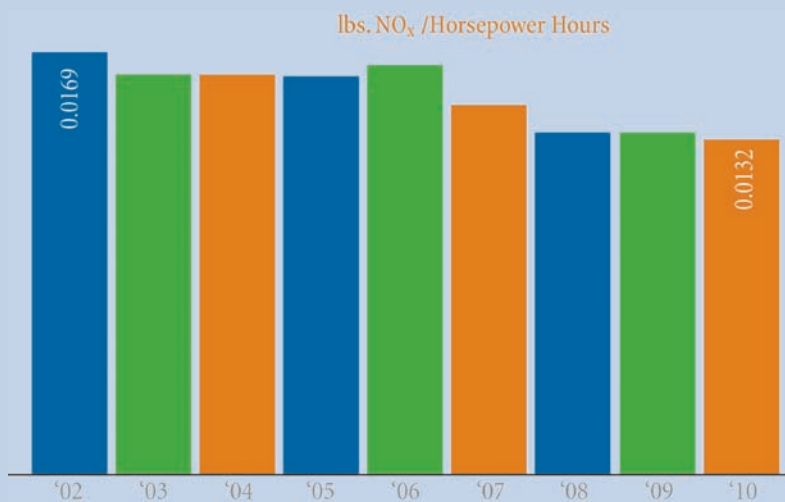
* Based on flow meter data and estimates

Additional Capacity

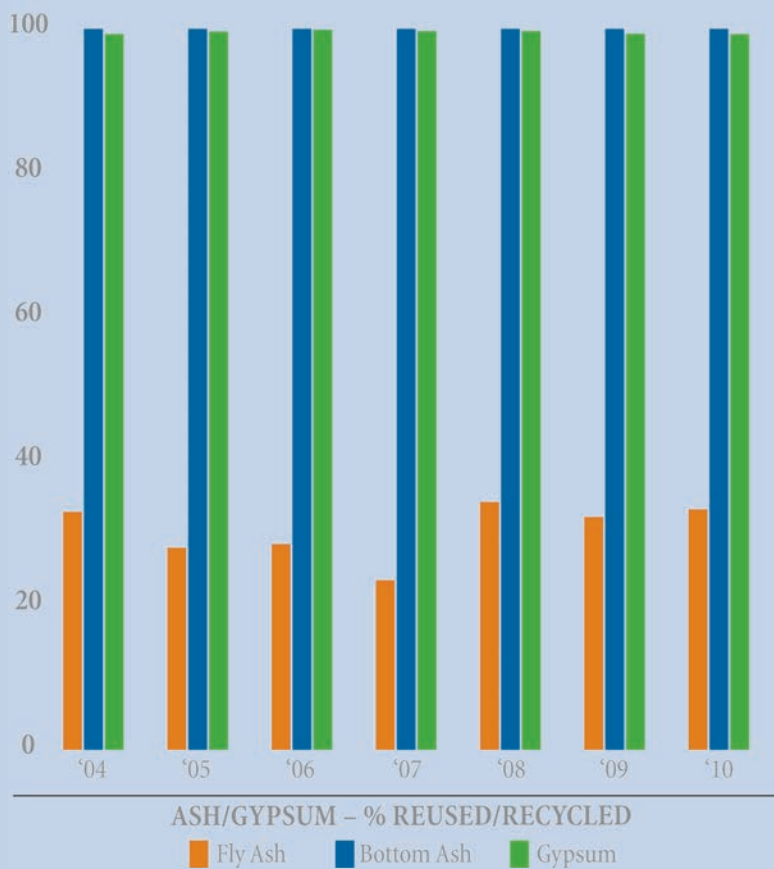
Year	Unit Type	Change in Million Gallons			Change in Production MWh	Consumption Gallons/MWh
		Withdrawal	Return	Consumption		
2015-2029	Simple Cycle Gas Turbine Unit	<1	<1	<1	500,000	Minimal
2029	CCGT	350	81,333.43220	130	700,000	186

Nitrogen Oxide Reduction - Gas Transmission & Storage

Compressor engines at our NiSource Gas Transmission & Storage companies emit small amounts of NO_x during the combustion process. We continue to achieve reductions through updates to control mechanisms and replacement of older engines with high-efficiency ones. The new engines are expected to achieve significant additional NO_x reductions in the coming years.

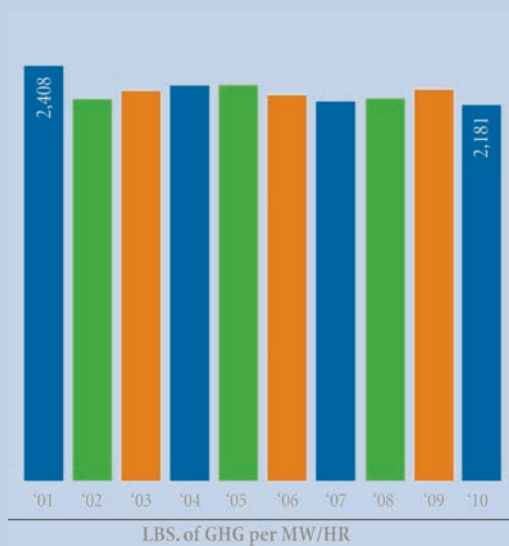


Ash/Gypsum Reused or Recycled



Tons Generated			
	2008	2009	2010
Fly Ash	274,236	261,180	314,100
Bottom Ash	198,409	185,216	188,887
Gypsum	419,504	468,378	421,479

NIPSCO Carbon Intensity Reductions



Sensitive Land Managed or Preserved



Environmental Performance Metrics

Key Performance Indicator	2006	2007	2008	2009	2010
Ash & Gypsum Reused/Recycled (%)	82.70%	77.38%	79.68%	80.33%	77.03%
SO ₂ Emission Rate (Lbs/MW hr)	7.50	7.80	7.93	6.72	5.93
CO ₂ Emission Rate* (Lbs/MW hr)	2,237	2,201	2,219	2,269	2,181
NO _x Emission Rate (Lbs/MW hr)	4.27	4.33	4.14	2.04	1.76
Waste Reused/Recycled (Tons)	5,539	6,224	6,866	Data not available at printing	Data not available at printing
# of Agency Actions (NOVs)	14	19	7	7	7
Total Water Withdrawal (Bil/Gal)	92.2	88.5	100.6	105.3	98.61

* See note on page 32

Direct and Indirect GHG Emission Improvements (In CO₂ eq Tonnes)

Emissions Source	2001 Baseline	2007	2008	2009	2010
NGT&S Combustion	2,032,649	1,707,341	1,672,086	1,643,419	1,467,803
NGT&S Fugitive & Vented	3,954,557	3,434,945	3,881,965	3,472,620	3,473,055**
Gas Distribution	1,498,862	1,616,464	1,582,589	1,397,537	1,287,271**
Electric Generation	17,599,959	16,919,229	16,763,056	15,103,475	16,110,206
Purchased Power	362,773	2,992,073*	2,459,491	1,310,733	1,206,705
SF ₆ Emissions	125,593	55,485	82,311	49,651	29,877
Mobile Emissions	24,071	22,372	47,773	35,075	36,790
Indirect	130,564	121,206	112,713	93,521	100,210
Total	25,729,028	26,799,115	26,601,985	23,106,031	23,711,917

* In 2001, NIPSCO ceased operations at one of its coal-fired generating stations, resulting in increased purchased power

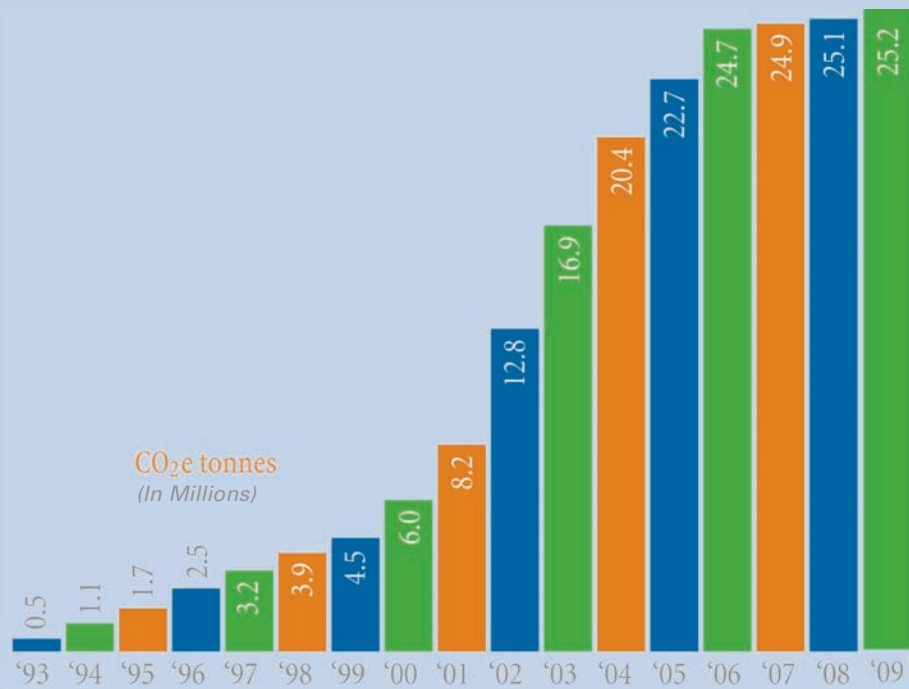
** Based on 2009 pipeline length

Direct Greenhouse Gas Emissions

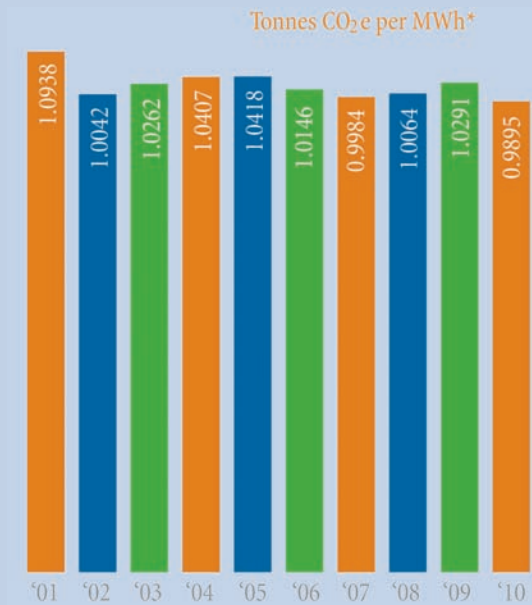
By Category	2001 Baseline	2007	2008	2009	2010
Tonnes/MWhr – Electric Generation	1.10	1.055	1.051	1.032	0.9895
Tonnes/Mile of Pipe – Gas Transmission (Fugitive & Vented)	255.74	225.24	241.37	237.44	239.29*
Tonnes/Mile of Pipe – Gas Distribution	27.70	28.61	28.10	26.86	25.0*
Tonnes/MMBHP-HR – Gas Transmission (Combustion)	588.83	518.95	572.82	584.17	523.88

* Based on 2009 pipeline length

Cumulative Methane Emission Reductions



Reduction of Greenhouse Gas Emissions*



* Note: The values of electrical intensity provided vary slightly from the 2009 Sustainability Report. The variation results from a change from the use of the 2001 IPCC Third Assessment Report Global Warming Potentials required by the DOE 1605b program, to the Second Assessment Report Global Warming Potential required by the EPA's GHG Reporting Rule. Other changes include use of the latest available versions of eGrid emission factors for purchased power for the 2009 and 2010 inventories, and the inclusion of the transmission losses in the 2009 intensity. The electrical generation emissions were calculated using the EPA's Subpart C factors for 2010, while AP-42 factors had been used prior to 2010.

Employee Engagement Survey Results

	2009	2010
Engagement Results	69%*	71%
Participation Levels	89%	92%

Most Improved Items 2010 over 2009: My supervisor recognizes me when I do a good job; My supervisor effectively communicates organizational goals and objectives; I would recommend NiSource as a good place to work; I have the tools and equipment I need to work efficiently; I have the opportunity for personal development and growth at NiSource; and I feel valued as an employee of NiSource.

* The overall favorability score in 2009 was 67%. Because of a change in the survey questions, items included in 2010 were different than prior years. Historical scores for 2008 and 2009 were recalculated to reflect this change.

Global Reporting Initiative – Profile Indicators

This report was produced using the Global Reporting Initiative (GRI) G3 Reporting Guidelines. NiSource self declares – supported with third-party assurance from CH2M HILL– that this report meets the requirements of GRI Application Level B+. The Statement of Assurance is available in the [Sustainability](#) section of nsource.com

● - Indicates full compliance with indicator | ● - Indicates partial compliance with indicator

GRI Indicator & Description		Complete	Reference/Location
Profile Indicators			
STRATEGY AND ANALYSIS			
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	●	<p>See page 1: Building Sustainable Value: A Message from Our CEO.</p> <p>NiSource's Sustainability Policy, approved by NiSource's Board of Directors, is available on nsource.com. It outlines the company's commitment to sustainability and how it aligns with the company's business strategy.</p>
1.2	Description of key impacts, risks and opportunities.	●	<p>NiSource's Sustainability Policy and Environmental, Safety & Sustainability Committee charter outlines the company's responsibility for identifying impact, risks and opportunities. The newly formed employee Sustainability Council also is responsible for ensuring accountability of sustainability initiatives.</p> <p>Detailed company risks are available on page 9-18 of NiSource's 2010 Form 10K available on nsource.com. NiSource's Sustainability Report also includes data tables that outline NiSource's impacts on sustainability.</p>

GRI Indicator & Description		Complete	Reference/Location
Profile Indicators			
ORGANIZATIONAL PROFILE			
2.1	Name of the organization.	●	NiSource Inc.
2.2	Primary brands, products and/or services.	●	<p>See inside front cover: NiSource Corporate Profile.</p> <p>Also available on pages 6-8 of NiSource's 2010 Form 10K available on nsource.com.</p>
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures.	●	<p>See inside front cover: NiSource Corporate Profile.</p> <p>NiSource is comprised of three main business units: NiSource Gas Transmission & Storage, NiSource Gas Distribution and NiSource Electric. Learn more about Our Companies on nsource.com.</p> <p>Detailed information is available on pages 6-8 of NiSource's 2010 Form 10K available on nsource.com.</p>
2.4	Location of organization's headquarters.	●	801 East 86th Avenue Merrillville, Indiana 46410
2.5	Number of countries where the organization operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	NiSource operates solely in the United States.
2.6	Nature of ownership and legal form.	●	NiSource (NYSE: NI) is a Fortune 500, investor-owned corporation incorporated in the state of Delaware.

2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries).	●	See inside front cover: NiSource Corporate Profile. Also available on pages 6-8 of NiSource's 2010 Form 10K available on nisource.com .
2.8	Scale of the reporting organization.	●	See inside front cover: NiSource Corporate Profile. Also available on pages 6-8 and page 22 of NiSource's 2010 Form 10K available on nisource.com .
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●	No significant changes occurred during the reporting period.
2.10	Awards received in the reporting period.	●	See page 21: Ensuring Safety for a selection of awards. Also available in the Our Accomplishments section on nisource.com .

GRI Indicator & Description		Complete	Reference/Location
Profile Indicators			
REPORT PARAMETERS			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	●	Calendar year 2010, published June 2011.
3.2	Date of most recent previous report.	●	Calendar year 2009, published April 2010.
3.3	Reporting cycle (annual).	●	Annual.
3.4	Contact point for questions regarding the report or its contents.	●	Julie Shea Team Leader, Environmental, Safety & Sustainability NiSource 801 East 86th Avenue Merrillville, Indiana 46410 jashea@nisource.com
3.5	Process for defining report content.	●	See inside back cover: Report Parameters. The report content is guided by the company's Sustainability Policy , as well as its Sustainability Council. In addition, an overview of the report development process is available in the Sustainability section of nisource.com .
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	●	See inside back cover: Report Parameters. NiSource is comprised of three main business units: NiSource Gas Transmission & Storage, NiSource Gas Distribution and NiSource Electric. The data in this report relates to the businesses within these three business units and our corporate functions. In addition, an overview of the report development process is available in the Sustainability section of nisource.com .
3.7	State any specific limitations on the scope or boundary of the report.	●	See inside back cover: Report Parameters. NiSource is comprised of three main business units: NiSource Gas Transmission & Storage, NiSource Gas Distribution and NiSource Electric. The data in this report relates to the businesses within these three business units and our corporate functions. In addition, an overview of the report development process is available in the Sustainability section of nisource.com .

3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations.	●	See inside back cover: Report Parameters. NiSource is comprised of three main business units: NiSource Gas Transmission & Storage, NiSource Gas Distribution and NiSource Electric. The data in this report relates to the businesses within these three business units and our corporate functions.
3.9	Data measurement techniques and the base of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.	●	See inside back cover: Report Parameters. See charts starting on page 26. Charts indicate any applicable measurement techniques. For example, our water usage tables use flow meter data and estimates and customer satisfaction and employee engagement are calculated via survey using third-party vendors. NiSource calculates its corporate-wide greenhouse gas emissions based on the existing GHG Protocol Corporate Accounting and Reporting Standard developed by the World Resources Institute (“WRI”) and the World Business Council (“WBC”) for Sustainable Development. Most other data is compiled using standard financial and operational reporting.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports and the reasons for such re-statement (e.g. mergers, acquisitions, change of base years/periods, nature of business, measurement methods).	●	There were no re-statements of information from previous reports.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	There were no changes from previous reporting periods in the scope, boundary or measurement methods. We expanded the report in 2010 to include additional data and more indicators for a more comprehensive report. One area expanded is the environmental section including new water usage tables.
3.12	Table identifying the location of the Standard Disclosures in the report.	●	See page 33: GRI Content Index (<i>this table</i>).
3.13	Policy and current practice with regard to seeking external assurance for the report.	●	See inside back cover: Report Assurance. NiSource sought out and requested third-party assurance for its 2010 Sustainability Report from CH2M HILL. The Statement of Assurance is available in the Sustainability section of nisource.com .

GRI Indicator & Description	Complete	Reference/Location
Profile Indicators		
GOVERNANCE, COMMITMENTS AND ENGAGEMENT		
4.1	●	The NiSource Board of Directors oversees NiSource's operations. Detailed governance information also is available on NiSource.com and on page 8-12 of the company's 2011 Proxy Statement available on nisource.com .
4.2	●	NiSource's Chairman of its Board of Directors is an independent, non-executive member. Detailed information also is available on page 8-12 of the company's 2011 Proxy Statement available on nisource.com .

4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	●	In 2010, 10 of the 11 board members are independent, non-executive members. The only board member who is also an executive is Robert C. Skaggs Jr., NiSource's President and Chief Executive Officer. Detailed information also is available on page 8-12 of the company's 2011 Proxy Statement available on nsource.com .
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	<p>Those interested may contact the Board of Directors at any time through the methods listed in the Investor section on nsource.com.</p> <p>In addition, shareholders can attend and participate in our Annual Meeting of Shareholders where NiSource's highest governance is in attendance.</p> <p>NiSource welcomes and considers shareholder input. For example, in 2010 a shareholder requested additional transparency surrounding the company's water usage and efforts to explore alternative generation methods. In response to this request, we initiated a Water Usage Report available in the Environment section of nsource.com.</p>
4.5	Linkage between compensation for members of the highest governance body, senior managers, executives (including departure arrangements) and the organization's performance (including social and environmental performance).	●	NiSource's philosophy is to provide a total compensation program based on the company's and individual performance, and the range paid by similar energy companies. Detailed information on NiSource's approach is available on pages 16-39 of the company's 2011 Proxy Statement available on nsource.com .
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	The Board of Directors has a Code of Business Conduct to promote ethical behavior, including the ethical handling of conflicts of interest. Detailed information can be found starting on page 11 of NiSource's Code of Business Conduct available on nsource.com .
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental and social topics.	●	<p>The process for selecting Board of Director candidates is described in NiSource's Corporate Governance Guidelines available on nsource.com.</p> <p>Specific information about the Environmental, Safety and Sustainability committee is available in its Charter available on nsource.com. Board committees are selected by a majority vote of the Board of Directors; composition is considered based on the expertise and personal interest of the board member.</p>
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation.	●	<p>NiSource believes that good, ethical business conduct is the foundation of our workplace – a workplace where we can enjoy an atmosphere of fairness and honesty, and where talented people have an equal opportunity to contribute to our strength and growth. Our core values are: Fairness, Honesty, Integrity and Trust.</p> <p>Detailed information can be found in NiSource's Code of Business Conduct, Sustainability Policy and Environmental, Health & Safety Policy available on nsource.com. All corporate policies are applied and adopted equally across all NiSource businesses.</p>

4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles.	●	<p>The Audit Committee is responsible for monitoring the integrity of the company's financial statements, the independent auditors' qualifications and independence; the performance of the company's internal audit function and the independent auditors; and compliance with legal and regulatory requirements.</p> <p>The Environmental, Safety & Sustainability Committee meets no less than four times per year to fulfill the committee's responsibilities for assessing the company's sustainability initiatives.</p> <p>Detailed information can be found in the Board Committee Charters on nisource.com.</p>
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	●	<p>The Corporate Governance Committee leads the Board in an annual self-evaluation to determine whether the Board and its committees are functioning effectively and in compliance with NiSource's Corporate Governance Guidelines. Detailed information can be found in the Board Committee Charters on nisource.com.</p>
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.		<p>NiSource believes its Sustainability Policy, Environmental Health & Safety Policy and the establishment of the NiSource Sustainability Council reflect the internalization of the precautionary principle within NiSource.</p> <p>The company also considers elements of the precautionary principle, based on the policies listed above, including when identifying risks, environmental considerations and stakeholder impact surrounding existing, past and future business operations.</p>
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses.		<p>We continue to evaluate various external charters and principles to which the company may subscribe.</p> <p>External partners we consider when we make sustainability decisions and considerations of charters to implement, include:</p> <ul style="list-style-type: none"> - Utility Air Regulatory Group (UARG) - Utility Water Act Group (UWAG) - Utility Solid Waste Activities Group (USWAG) - Coal Ash Consortium - Clean Energy Group - Energy & Climate Leadership Council - Energy Sustainability Interest Group - Sustainability Leadership Forum - Midwest Regional Carbon Sequestration Partnership - National Safety Council - World Resources Institute - World Business Council for Sustainable Development

4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization.	●	<p>See page 27: Political Engagement and Industry Associations.</p> <p>Primary industry association memberships include American Gas Association (AGA), Southern Gas Association (SGA), Edison Electric Institute (EEl) and the Interstate Natural Gas Association of America (INGAA).</p> <p>In 2010, NiSource President and CEO Bob Skaggs served as Chairman of AGA. Skaggs currently serves on AGA's board of directors.</p> <p>Chris Helms, Executive Vice President and Group CEO for NiSource's Gas Transmission & Storage business serves as second vice chair of INGAA's Executive Committee and is chairman of its Pipeline Safety Task Force. He also is a board member of the Marcellus Shale Coalition and serves on the Marcellus Shale Advisory Commission. Helms is a past chairman of the SGA and has served as vice president of the Groupe International des Importateurs de Gaz Naturel Liquéfie (GIIGNL).</p> <p>Jimmy Staton, Executive Vice President and Group CEO for NiSource's Gas Distribution and NIPSCO electric businesses, serves on the board of directors for SGA. Staton also serves on EEl's board of directors and on the EEl Climate Task Force.</p> <p>Employees in our companies also serve on different committees and subcommittees in various roles.</p>
4.14	List of stakeholder groups engaged by the organization.	●	<p>See page 18-19: Building Connections - Our Outreach Approach.</p>
4.15	Basis for identification and selection of stakeholders with whom to engage.	●	<p>See page 18-19: Building Connections - Our Outreach Approach.</p> <p>We engage with stakeholders who have a unique interest in our business. Stakeholders include our customers, employees, potential employees, community neighbors, local organizations, public officials, regulators, news media, shareholders and financial analysts.</p>
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	<p>See page 18-19: Building Connections - Our Outreach Approach.</p>

4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns, including through its reporting.	●	NiSource is continuously seeking stakeholder input, and in particular, our commitment to transparency, safety, infrastructure modernization and our environmental stewardship have all had the influence of stakeholder input.
			<p>On example includes NIPSCO's decision to seek approval of its renewable energy program, which is outlined on page 5: Embracing Renewable Generation. This was a result of collaborative efforts and input from stakeholders. In addition a shareholder in 2010 requested additional transparency surrounding the company's water usage and efforts to explore alternative generation methods. In response to this request, we initiated a Water Usage Report available in the Environment section of nisource.com.</p>
			<p>Currently, NiSource is seeking local stakeholder input on potential environmental investments in northern Indiana, including the installation of electric vehicle charging stations and the acquisition and conservation of environmentally sensitive areas.</p>
			<p>This report also serves as a collaborative tool to educate stakeholders on NiSource's sustainability progress and seek input on future sustainability initiatives. We welcome input on this report at any time.</p>

GRI Indicator & Description	Complete	Reference/Location
Profile Indicators		
ELECTRIC UTILITY SUPPLEMENT		
EU1	Installed capacity, broken down by primary energy source and by regulatory regime.	●
		<p>See page 9-11: Addressing Climate Change.</p> <p>2,574 MW - Coal 738 MW - Natural Gas 10 MW - Hydroelectric 3,322 MW - Total</p> <p>Leased: 100 MW - Wind</p> <p>Detailed information can be found on pages 6-7 of NiSource's 2010 Form 10K available on nisource.com.</p>
EU2	Net energy output broken down by primary energy source and by regulatory regime.	●
		<p>NiSource sold 17,008 gigawatt hours in 2010 primarily from coal and natural gas. Other sources included wind and hydroelectric.</p> <p>Detailed information can be found on pages 6-7 and 59 of NiSource's 2010 Form 10K available on nisource.com.</p>
EU3	Number of residential, industrial, institutional and commercial customer accounts.	●
		<p>Electric Customers as of December 31, 2010.</p> <p>Residential: 400,522 Commercial: 53,877 Industrial: 2,432 Wholesale: 15 Other: 740 Total: 457,586</p> <p>Detailed information can be found on page 58 of NiSource's 2010 Form 10K available on nisource.com.</p>

EU4	Length of above and underground transmission and distribution lines by regulatory regime.	●	Distribution: 10,543 circuit miles Above-ground percentage: 78% Transmission: 2,795 circuit miles Above-ground percentage: 100% NiSource's transmission system has voltages from 69,000 to 345,000 volts.
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Global Reporting Initiative – Performance Indicators

GRI Indicator & Description		Complete	Reference/Location
Performance Indicators			
ECONOMIC			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	●	<p>See pages 15-19: Building Sustainable Value Through Strong, Stable Communities.</p> <p>See page 26: Financials.</p> <p>See page 27: Building Strong, Stable Communities – Charitable Giving.</p> <p>Detailed information about the company's financials are available starting on page 21 of NiSource's 2010 Form 10K, as well as the company's year-end 2010 earnings available on nisource.com.</p>
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	<p>See pages 9-11: Addressing Climate Change.</p> <p>NiSource analyzes climate change risks and opportunities twice per year. In addition, management in individual business units regularly review risks and opportunities resulting from climate change on an ongoing basis.</p> <p>Additional information is available on in the Carbon Disclosure Project report and pages 13 and 144-146 of NiSource's 2010 Form 10K available on nisource.com.</p>
EC3	Coverage of the organization's defined benefit plan obligations.	●	<p>Detailed information about NiSource's defined benefit plan obligations are available on pages 116-126 of NiSource's 2010 Form 10K available on nisource.com.</p>
EC4	Significant financial assistance received from government.	●	<p>NiSource received no assistance from the government during the reporting period.</p>
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	○	<p>See page 17: Building a Diverse Supply Chain.</p> <p>We are committed to offering diverse suppliers an opportunity to succeed. Additional information is available on the Supplier Program section on nisource.com.</p>
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro-bono engagement.	○	<p>See page 2: Investing in Energy Infrastructure.</p> <p>See pages 3-5: Delivering Energy Efficiency and Education Programs.</p> <p>See page 16 Supporting Those in Need through Charitable Giving.</p>
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.	●	<p>Current capacity can be found on page 6-7 of NiSource's 2010 Form 10K available on nisource.com.</p> <p>On October 29, 2009, Northern Indiana filed its 2009 Integrated Resource Plan with the IURC. The plan evaluates demand-side and supply-side resource alternatives to reliably and cost-effectively meet Northern Indiana customers' future energy requirements over the next twenty years. With the effects of the present economy, existing resources are projected to be sufficient through 2012 to serve customers' needs. A revised Integrated Resource Plan will be submitted in 2011. With numerous variables NiSource continues to monitor and assess economic, regulatory and legislative activity, and will update its resource plan as appropriate.</p>

GRI Indicator & Description		Complete	Reference/Location
Performance Indicators			
ENVIRONMENTAL			
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	○	<p>See pages 3-5: Delivering Energy Efficiency and Education Programs.</p> <p>See pages 12-13: Reducing Reusing, Recycling; Engaged Employees Reducing Recycling, Restoring.</p>
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	○	NiSource has increased the use of hybrid and bio-diesel technologies in its vehicle fleet. In addition, the company is considering replacing and/or retrofitting diesel engines with hybrid and/or electric vehicles.
EN8	Total water withdrawal by source.	●	<p>See pages 11-12: Conserving Water Resources.</p> <p>See page 28: Water Usage.</p> <p>Additional data is available in the company's Water Usage Report available in the Environment section of nisource.com.</p>
EN9	Water sources significantly affected by withdrawal of water.	○	See pages 11-12: Conserving Water Resources.
EN10	Percentage and total volume of water recycled and reused.	●	Ninety two percent of water used in our generating facilities is recycled or returned to its source.
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	○	<p>See pages 13-14: Preserving and Educating for Future Generations.</p> <p>NiSource has restored 6,344 acres since 2004.</p> <p>Additional information is available in the Sustainability section of nisource.com.</p>
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	○	<p>See pages 13-14: Preserving and Educating for Future Generations.</p> <p>NiSource is working on a Habitat Conservation Plan - a unique, multi-species, multi-state conservation effort - for its more than 15,000 miles of transmission pipeline. More information is available in the Sustainability section of nisource.com.</p>
EN13	Habitats protected or restored.	●	<p>See pages 13-14: Preserving and Educating for Future Generations.</p> <p>NiSource has restored 6,344 acres since 2004.</p> <p>NiSource is working on a Habitat Conservation Plan - a unique, multi-species, multi-state conservation effort - for its more than 15,000 miles of transmission pipeline. This HCP contains the methodology and biological goals and objectives for managing impacts on biodiversity. More information is in the Sustainability section of nisource.com.</p>
EN14	Strategies, current actions and future plans for managing impacts on biodiversity.	●	NiSource is working on a Habitat Conservation Plan - a unique, multi-species, multi-state conservation effort - for its more than 15,000 miles of transmission pipeline. This HCP contains the methodology and biological goals and objectives for managing impacts on biodiversity. More information is in the Sustainability section of nisource.com .
EN16	Total direct and indirect greenhouse gas emissions by weight.	●	<p>See pages 8-14: Building Sustainable Value Through Environmental Stewardship.</p> <p>See page 30-31: Direct and Indirect GHG Emission Improvements.</p> <p>Additional information can be found in NiSource's Carbon Disclosure Project report available on nisource.com.</p>

EN17	Other relevant indirect greenhouse gas emissions by weight.	●	See pages 8-14: Building Sustainable Value Through Environmental Stewardship.
			See pages 29-32: Various charts.
			Additional information can be found in NiSource's Carbon Disclosure Project report available on nisource.com .
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	See pages 8-14: Building Sustainable Value Through Environmental Stewardship.
			See page 30-31: Direct and Indirect GHG Emission Improvements.
			Additional information can be found in NiSource's Carbon Disclosure Project report available on nisource.com .
EN19	Emissions of ozone-depleting substances by weight.	○	See page 8-14: Building Sustainable Value Through Environmental Stewardship.
			See pages 29-32: Various charts.
			Additional information can be found in NiSource's Carbon Disclosure Project report available on nisource.com .
EN20	NO _x , SO _x and other significant air emissions by type and weight.	○	See page 8-14: Building Sustainable Value Through Environmental Stewardship.
			See pages 29-32: Various charts.
			Additional information can be found in NiSource's Carbon Disclosure Project report available on nisource.com .
EN21	Total water discharge by quality and destination.	○	See page 28: Water Usage.
			NiSource uses more than 98 billion gallons of water per year, most of which is used to generate electricity. Nearly all of the water used is recycled or returned to its source.
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	○	NiSource's Bailly and Michigan City Generating Stations sit on the shore of Lake Michigan in the Great Lakes Basin. The electric generation plants draw their water from Lake Michigan and one of its tributaries. Like all water withdrawals from Lake Michigan, Bailly's and Michigan City's usage is heavily regulated by international, federal and state law. The primary guiding document is the Great Lakes Compact, an agreement that has been ratified by the United States, two Canadian provinces and eight Great Lakes States. Indiana statutes passed pursuant to the Compact require large existing users to document their usage and to implement water conservation programs. NiSource is fully supportive of the Great Lakes Compact and worked with the State of Indiana to develop ways to implement the Compact. NiSource operates its generating stations in compliance with the Compact and Indiana water-use laws.
			The R.M. Schahfer and Sugar Creek Generating Stations are located on the Kankakee and Wabash Rivers, both of which eventually flow into the Mississippi River. The State of Indiana comprehensively regulates the consumptive use of water in the Kankakee River Basin. NiSource has obtained a permit from the Indiana Department of Natural Resources for water withdrawals from the Kankakee.

GRI Indicator & Description		Complete	Reference/Location
Performance Indicators			
LABOR PRACTICES AND DECENT WORK			
LA1	Total workforce by employment type, employment contract and region.	●	As of December 31, 2010, NiSource had 7,604 employees of whom 3,278 were subject to collective bargaining agreements. All are employed within the United States and the majority is full-time.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	●	Part-time employees of NiSource are eligible for the same healthcare offerings as full-time employees. In some instances (depending on the business segment or labor union), part-time employees do not receive dental, vision, short- or long-term disability. Part-time employees also receive a smaller company-provided life insurance policy compared to full-time employees. In general, outside of these items, part-time and full-time employees receive similar benefits. Temporary employees do not receive company-provided benefits.
LA4	Percentage of employees covered by collective bargaining agreements.	●	As of December 31, 2010, NiSource had 7,604 employees of whom 43 percent were subject to collective bargaining agreements.
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise of occupational health and safety programs.	●	See pages 21-22: Ensuring Safety. All employees must undergo basic yearly health and safety training. Each of NiSource's operating companies employ health and safety experts to monitor, report and advise on occupational health and safety programs.
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities by region.	●	See pages 21-22: Ensuring Safety.
LA8	Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	●	See pages 21-22: Ensuring Safety. All employees and their families have access to the NiSource Employee Assistance Program (EAP) at no cost 24 hours a day. The EAP is a confidential counseling service which addresses items such as: marital and family issues; child and elder care concerns; stress, anxiety and other emotional health topics; workplace concerns; legal and financial issues; substance abuse and dependency struggles; and health issues.
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●	See pages 22-24: Building Leaders.
LA12	Percentage of employees receiving regular performance and career development reviews.	●	100 percent of employees at all levels of management and specialists groups receive regular performance and career development reviews. In total 4,264 employees received performance reviews in 2010.
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	●	As of December 31, 2010, NiSource's Board of Directors was comprised of 11 directors, of which all are above 50 years old, two of which are women and two of which are minorities. Additional background information about NiSource's Board of Directors can be found in the Investor section of NiSource.com

GRI Indicator & Description		Complete	Reference/Location
Performance Indicators			
HUMAN RIGHTS			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	●	NiSource operates solely within the United States. NiSource does not have any significant investment agreements in countries where human rights are at risk. NiSource abides by all laws and regulations.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	○	NiSource does not undergo any specific screening of suppliers or contractors with respect to human rights; however all must be in compliance with applicable laws, statutes, codes, etc. The majority of our contract and supplier relationships reside in the United States.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	○	See pages 22-24: Building Leaders. 100 percent of employees are required to complete annual ethics training – three modules were introduced in 2010 (Information Security, Equal Employment Opportunity; and the NiSource Code of Business Conduct).
HR4	Total number of incidents of discrimination and actions taken.	○	See pages 23-24: Ethics and Compliance. In 2010, we investigated 48 ethics cases and found 29 to involve company policies or our code of conduct.
HR6	Operations identified as having significant risk for incidents of child labor and measures taken to contribute to the elimination of child labor.	●	NiSource operates solely within the United States and abides by all local and national laws. NiSource does not operate where child labor is a significant risk.
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor and measures to contribute to the elimination of forced or compulsory labor.	●	NiSource operates solely within the United States and abides by all local and national laws. NiSource does not operate where forced or compulsory labor is present.
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	●	NiSource operates solely within the United States and abides by all local and national laws. NiSource does not operate where human rights are a significant risk. 100 percent of NiSource security personnel are required to complete annual ethics training – three modules were introduced in 2010 (Information Security, Equal Employment Opportunity; and the NiSource Code of Business Conduct). Security contractors are not included in this figure.
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	●	NiSource operates solely within the United States and abides by all local and national laws. NiSource does not operate where violations involving rights of indigenous people are a significant risk.

GRI Indicator & Description		Complete	Reference/Location
Performance Indicators			
SOCIETY PERFORMANCE INDICATORS			
SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	○	See pages 3-5: Delivering Energy Efficiency and Education Programs. See page 18: Building Community Awareness.
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	●	100 percent of employees are required to complete annual ethics training – three modules were introduced in 2010 (Information Security, Equal Employment Opportunity; and the NiSource Code of Business Conduct). Additional information can be found in the NiSource Code of Business Conduct available on nisource.com .

SO4	Actions taken in response to incidents of corruption.	○	<p>See pages 23-24: Ethics and Compliance.</p> <p>In 2010, we investigated 48 ethics cases and found 29 to involve company policies or our code of conduct. We closed cases in an average of 15 days, compared to an all-industry average of 29 days. We take these investigations seriously and apply appropriate discipline when warranted, ranging from letters of information up to termination.</p>
SO5	Public policy positions and participation in public policy development and lobbying.	●	<p>See pages 18-19: Building Connections – Our Outreach Approach.</p> <p>See page 27: Political Engagement and Industry Associations.</p> <p>Additional information is available in the Our Commitments section of nisource.com.</p>
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.	○	<p>See page 27: Political Engagement and Industry Associations.</p> <p>All political engagement was completed in the United States.</p>
SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.	●	None.

GRI Indicator & Description	Complete	Reference/Location	
Performance Indicators			
PRODUCT RESPONSIBILITY			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	○	The lifecycle and health and safety of our assets are assessed regularly, as required by laws, regulation or internal policies.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	●	<p>See pages 2-7: Building Sustainable Value Through Customer-Focused Energy Solutions.</p> <p>See page 26: Customer Satisfaction.</p> <p>Resulting from customer feedback and outreach initiatives, one item implemented included the online streetlight outage reporting system at NIPSCO. More information is available on pages 5-6: Enhancing the Customer Experience through New Technology.</p>
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	●	<p>We market our services in a fair, truthful and ethical manner. Marketing and advertising materials are designed to reflect available products and services. A team approach is used to review marketing and advertising materials, which typically includes any subject matter expert and legal review.</p> <p>Additional information can be found in the NiSource Code of Business Conduct available on nisource.com.</p>
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes.	●	There were no incidents of non-compliance with these regulations during the reporting period.

PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	●	There were no substantiated complaints regarding breaches of customer privacy or loss of customer data during the reporting period.
EU28	Power outage frequency.	●	2010 System Average Interruption Frequency Index (SAIFI): 0.94.
EU29	Average power outage duration.	●	2010 Customer Average Interruption Disruption Index (CAIDI): 130 minutes.
EU30	Average plant availability factor by energy source and by regulatory regime.	●	2010 Equivalent Availability Factor (EAF): 78.6 percent (steam) – Coal/Natural Gas.

Global Reporting Initiative – Disclosure on Management Approach

GRI Indicator & Description		Complete	Reference/Location
Disclosure on Management Approach			
ECONOMIC ASPECTS			
G3-E	Provide a concise disclosure on the Management Approach items outlined below with reference to the following Economic Aspects: <ul style="list-style-type: none"> – Economic Performance; – Market Presence; and – Indirect Economic Impacts. 	●	NiSource's vision is to establish a legacy of sustained economic growth, social responsibility and environmental stewardship reflective of a premier energy company. Additional information can be found in our Sustainability Policy and in our Code of Business Conduct and throughout our 2010 Form 10K available on nisource.com .
EU6	Management approach to ensure short and long-term electricity availability and reliability.	●	On October 29, 2009, Northern Indiana filed its 2009 Integrated Resource Plan with the IURC. The plan evaluates demand-side and supply-side resource alternatives to reliably and cost-effectively meet Northern Indiana customers' future energy requirements over the next twenty years. With the effects of the present economy, existing resources are projected to be sufficient through 2012 to serve customers' needs. A revised Integrated Resource Plan will be submitted in 2011. With numerous variables NiSource continues to monitor and assess economic, regulatory and legislative activity, and will update its resource plan as appropriate.
EU7	Demand-side management programs including residential, commercial, institutional and industrial programs.	●	See pages 3-5: Delivering Energy Efficiency and Education Programs for a selection. Additional information can be found in NiSource's Carbon Disclosure Project report and on NiSource company websites available through nisource.com .
EU8	Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development.	●	In 2010, NiSource's NIPSCO electric utility invested \$200 million in ensuring a safe, reliable and efficient electric infrastructure. NiSource's natural gas utilities are three years into an infrastructure modernization program, which will invest approximately \$4.4 billion over the life of the program.
EU9	Provisions for decommissioning of nuclear power sites.	●	NiSource does not operate any nuclear power sites.

GRI Indicator & Description		Complete	Reference/Location
Disclosure on Management Approach			
ENVIRONMENTAL ASPECTS			
G3-EN	Provide a concise disclosure on the Management Approach items outlined below with reference to the following Environmental Aspects: <ul style="list-style-type: none"> – Materials; – Energy; – Water; – Biodiversity; – Emissions, Effluents and Waste; – Products and Services; – Compliance; – Transport; and – Overall. 	●	Building a cleaner, more efficient and affordable energy future is core to NiSource's environmental goals and our overall sustainability approach. We operate one of the nation's largest transportation and delivery systems for natural gas and continue to grow our system. We must balance this growth with reducing environmental impacts and implementing energy-efficiency measures for our customers, and we are committed to serving as responsible stewards of our natural and environmental resources. Our Management Approach to protecting biodiversity, complying with environmental regulations and reducing our environmental impacts can be found in our Environmental, Health & Safety Policy and throughout the Sustainability section of nisource.com .

GRI Indicator & Description	Complete	Reference/Location
Disclosure on Management Approach		
LABOR PRACTICES AND DECENT WORK ASPECTS		
G3-LA	●	<p>See pages 19-25: Building Sustainable Value Through Engaged, Aligned and Safe Teams.</p> <p>NiSource operates solely within the United States and abides by all laws and regulations.</p> <p>At NiSource, we aspire to become the premier company in our industry. We want to be the company that sets the bar, operating safely and in an environmentally sound manner and utilizing innovative energy sources. We want to be known for reliable service and for being a valuable partner to the community. We are proud of how our employees work to help us reach our goals and proud to have an environment that allows us to generate collaborative, long-term energy solutions while we continually improve and grow together.</p> <p>Our work environment and culture are grounded in values that will continue to help us achieve our goals, including: Teamwork, Pride, Empowerment, Accountability, Safety, Growth and Development, Reward and Equal Opportunity.</p> <p>More information is available in the Careers section of nisource.com.</p>
EU14	●	<p>See pages 19-25: Building Sustainable Value Through Engaged, Aligned and Safe Teams.</p> <p>In addition, our companies partner - through contributions, training classes, mentorship and other ways - with local universities, trade schools, high schools and elementary schools to support education and future employment to develop a pipeline of skilled workers.</p>
EU16	●	<p>See pages 21-22: Ensuring Safety.</p> <p>We have a fundamental responsibility to ensure personal and public safety and work tirelessly to be a top safety performer in our industry.</p> <p>NiSource maintains a Board of Directors Committee focused on safety and employs strict policies and procedures surrounding the health and safety of our employees and contractors.</p>

GRI Indicator & Description	Complete	Reference/Location
Disclosure on Management Approach		
HUMAN RIGHTS ASPECTS		
G3-HR	●	<p>NiSource operates solely within the United States and abides by all laws and regulations related to human rights.</p> <p>NiSource companies are Equal Employment Opportunity employers and do not discriminate in any employer/employee relations based on race, color, religion, sex, marital status, sexual orientation, national origin, age, disability, veteran status, or other characteristics protected by law. NiSource companies require all employees to adhere strictly to this policy.</p>

GRI Indicator & Description		Complete	Reference/Location
Disclosure on Management Approach			
SOCIETY ASPECTS			
G3-SO	Provide a concise disclosure on the following Management Approach items with reference to the Society Aspects: <ul style="list-style-type: none"> – Community; – Corruption; – Public Policy; – Anti-Competitive Behavior; and – Compliance. 	●	<p>See pages 15-19: Building Sustainable Value Through Strong, Stable Communities.</p> <p>Our reputation ultimately rests on the good judgment and personal integrity of each of our employees, officers, directors and those with whom we do business. We believe, therefore, that our core values must at all times guide our decisions, actions and conduct.</p> <p>Our core values are: Fairness, Honesty, Integrity and Trust.</p> <p>Detailed information can be found in NiSource's Code of Business Conduct available on nisource.com.</p>
EU19	Stakeholder participation in the decision making process related to energy planning and infrastructure development	●	<p>See pages 18-19: Building Connections - Our Outreach Approach.</p>

GRI Indicator & Description		Complete	Reference/Location
Disclosure on Management Approach			
PRODUCT RESPONSIBILITY ASPECTS			
G3-PR	Provide a concise disclosure on the following Management Approach items with reference to the Product Responsibility Aspects: <ul style="list-style-type: none"> – Customer Health and Safety; – Product and Service Labeling; – Marketing Communications; – Customer Privacy; and – Compliance. 	●	<p>Our reputation ultimately rests on the good judgment and personal integrity of each of our employees, officers, directors and those with whom we do business. We believe, therefore, that our core values must at all times guide our decisions, actions and conduct.</p> <p>Our core values are: Fairness, Honesty, Integrity and Trust.</p> <p>Detailed information can be found in NiSource's Code of Business Conduct available on nisource.com.</p>
EU23	Programs, including those in partnership with government, to improve or maintain access to electricity and customer support services.	●	<p>See page 16: Supporting Those in Need Through Charitable Giving, Supporting Customers in Need.</p> <p>NiSource customers received more than \$80 million in Low-Income Home Energy Assistance Program dollars during the 2009-2010 winter season.</p> <p>Additional information can be found on NiSource company websites available through nisource.com.</p>
EU24	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity and customer support services.	○	<p>NiSource company websites include at least some information in English and Spanish. In addition, our companies offer Spanish-speaking customer service support. We are working on implementing translation technology across our websites. We also partner with and support many local organizations that support and educate our customers who may have barriers to safely using electricity and customer support services.</p>

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FORWARD-LOOKING STATEMENT

Some of the statements contained herein contain "forward-looking statements" in addition to historical information, including (1) statements concerning NiSource's plans, objectives, and expenditures and (2) any and all underlying assumptions and other statements that are other than statements of historical fact. There can be no assurance that actual results will not differ materially due to various factors, many of which are beyond the control of NiSource, including, but not limited to dealings with third parties over whom NiSource has no control, the regulatory process, regulatory and legislative changes, the impact of potential new environmental laws or regulations, changes in general economic and capital and commodity market conditions, and the matters identified in the "Risk Factors" Section of NiSource Inc.'s most recent Form 10-K, and subsequent reports on Form 10-Q. Furthermore, historical results may not be indicative of NiSource's future performance.

REPORT PARAMETERS

This report covers calendar year 2010 and was developed to address four key areas of sustainability relevant to NiSource and its stakeholders: customers, environment, communities, and employees.

Historical data, subject to availability, has been normalized to account for organizational changes from period to period. This report is not all-inclusive and covers the three principal businesses of NiSource Inc.

For additional information or to provide feedback on the report, please contact Julie Shea, Team Leader, Environmental, Safety & Sustainability, NiSource Inc., 801 East 86th Avenue, Merrillville, IN 46410 or by email at JAShea@nisource.com.

REPORT INTEGRITY

Preparing and publishing this annual Sustainability Report has allowed us to share with our stakeholders the challenges we face and the steps we are taking to build sustainable value at NiSource.

We made an executive level decision to improve our environmental and social performance by comprehensively reviewing what we do and how we do it.

This enhanced sustainability report grew out of our long term commitment to our stakeholders. The information included is drawn from our established performance tracking and reporting, as well as new systems of review and engagement designed specifically for this analysis.

ASSURANCE

To help guide the 2010 reporting process, a task force, supported by the NiSource Sustainability Council, was established to develop the report. We worked with our Executive Council and Board of Directors for review, guidance and approval. A third-party reviewed the report and GRI table to provide a statement of assurance to indicate the report met the requirements of GRI Application Level B+. Following completion on the 2010 report, the reporting process also will be internally audited for future recommendations.

Going forward, the Sustainability Council will guide external reporting. We also are considering expanding the preparation process by using third-party verification and audits, as well as utilizing external advisors from our various stakeholder groups to review and comment on the report in advance of publication.

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