

2012 NiSource SUSTAINABILITY SUMMARY

FOR A COMPLETE LOOK AT OUR COMMITMENT TO SUSTAINABILITY, VISIT WWW.NISOURCE.COM/SUSTAINABILITY



“Our ability to execute on the NiSource strategy – combined with strong engagement and communication with our stakeholders – will enable us to establish a legacy of sustained environmental stewardship, economic growth and social responsibility truly reflective of a premier energy company.”

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

OUR SUSTAINABILITY STRATEGY

ENVIRONMENTAL STEWARDSHIP

- Build and maintain a modern and clean energy infrastructure.
- Reduce our environmental footprint through pollution prevention and reduction programs.
- Implement innovative environmental conservation approaches.

STRONG, GROWING COMMUNITIES

- Execute on our investment-driven growth strategy by providing safe, reliable, clean and affordable energy, and creating job opportunities in the communities that we serve.
- Partner with local agencies to enhance community vitality and growth through economic development and charitable giving programs.

CUSTOMER-FOCUSED ENERGY SOLUTIONS

- Provide and expand programs that help customers conserve energy and lower bills.
- Provide programs and assistance for low-income customers.
- Provide and expand clean energy access for customers.

SAFE, SKILLED & ENGAGED TEAMS

- Be an industry leader in employee safety.
- Create an environment of engaged employees that do their best work.
- Develop an industry-leading inclusion and diversity culture.

SHAREHOLDER VALUE

- Be a leader in consistent and stable earnings growth.
- Be an industry leader in modernizing our infrastructure to provide safe, reliable, clean and affordable energy to our customers.
- Maintain industry-leading ethics practices and transparent public reporting.

2012 SUSTAINABILITY SUCCESS HIGHLIGHTS

- Named to the Dow Jones Sustainability Index.
- Honored as one of the World’s Most Ethical Companies for 2012 and 2013.
- Donated more than \$6.8 million to local organizations.
- Outlined \$25 billion in energy infrastructure modernization investments.
- Delivered 8.5% total shareholder return.
- Increased the common stock dividend for the first time in more than 10 years.
- Environmental investments in progress will reduce sulfur dioxide emissions by 95%.
- 82% of employees would recommend NiSource as a good place to work.
- 88% of customers stated we met or exceeded their expectations.

ENVIRONMENTAL STEWARDSHIP

As an energy company involved in the natural gas and electric industries, environmental stewardship is a critical component of our day-to-day operations. Our investment in this sustainability dimension is significant and designed to ensure the sustainable operations of our company and the communities we serve.

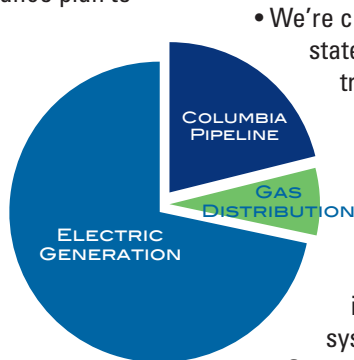
Investing in Clean Air Technologies

The clean air installations taking place at our coal-fired electric generation facilities in northern Indiana are one of our largest investments. In addition to benefitting the environment, these investments also create local jobs and foster related economic development. Projects include:

- Construction of Flue Gas Desulfurization (FGD) equipment at our R.M. Schahfer Generating Station and our Michigan City Generating Station. FGDs remove sulfur dioxide from emissions resulting from the generation of electricity.
- Implementation of a compliance plan to meet the Environmental Protection Agency's (EPA) Mercury and Air Toxics Standard (MATS).

Greenhouse Gas Reduction

We're committed to managing, documenting and reporting our greenhouse gas (GHG) footprint. Our newest Greenhouse Gas Report, as well as our



Climate Change Policy, is available at www.nisource.com.

NiSource established a voluntary GHG reduction goal in 2005. Through proactive measures, we achieved that goal two years early in 2010 by reducing our carbon intensity by 7%.

Our energy infrastructure modernization activities will reach more than \$25 billion over the next two decades and will further reduce our GHG emissions over time.

Preserving Water Resources

We recognize the need to maintain water quality in our region and continue to invest in and maintain or improve water quality. A particular area of focus is northern Indiana where our use of water for electric generation is the highest. For example:

- NIPSCO has a comprehensive mercury pollution prevention and minimization plan in place that has reduced mercury discharges in water.
- We're constructing a \$25 million state-of-the-art wastewater treatment plant with advanced mercury controls at our R.M. Schahfer Generating Station.
- We're installing an innovative dry scrubber system at our Michigan City Generating Station, which will avoid discharges into Lake Michigan.



Our FGD equipment installations will reduce sulfur dioxide emissions by more than 95%.

Greenhouse Gas Reduction Project Highlights

- **At NIPSCO**, two projects are part of a larger strategy to increase the access of renewable energy to power markets through the Midwest. They're estimated to enable the delivery of 41 million megawatt hours of renewable energy – enough to power more than three million homes per year.
- **At Columbia Pipeline Group (CPG)**, we've invested more than \$20 million to install state-of-the-art catalysts on our compressor engines. We're also implementing a \$4-5 billion program to modernize the Columbia Gas Transmission system.



The NiSource Environmental Action Team (NEAT) cleared a beach area that surrounds our Michigan City Generating Station, collecting 3,500 pounds of debris

STRONG, GROWING COMMUNITIES

We value the trust our communities place in us. That's why we strive to make a meaningful contribution to the well-being of the communities in which we live and support these local communities through partnerships and constructive dialogue, economic and infrastructure development, and charitable giving and employee volunteerism. In addition, we make it a priority to engage in two-way dialogue with our stakeholders on topics like safety, energy efficiency and the environment.

Infrastructure Projects and Economic Development

NiSource's business strategy is centered on the modernization of our energy infrastructure, which results in a safer and more reliable system and creates significant economic benefits. Our infrastructure modernization and growth investment opportunities are expected to result in capital investments totaling \$1.5 billion to \$1.8 billion per year. Investments include:

- Approximately \$8-10 billion in CPG infrastructure investment opportunities



In April 2012, U.S. Secretary of Transportation Ray LaHood recognized NiSource's pipeline infrastructure modernization & replacement investment plans at an event in Pittsburgh, Pa. – promoting domestic energy reliability, economic development and safety.

- Approximately \$10 billion in Gas Distribution infrastructure investments
- Approximately \$6-8 billion in investments in our Electric operations

Public Awareness Program

From our day-to-day focus on regulatory compliance, to our long-term commitment to invest in and maintain system integrity, we're firmly committed to doing the right thing to ensure the safety and reliability of our facilities and systems.

In addition, an informed and engaged public supplements our own safety measures and may reduce the likelihood and potential impacts of pipeline emergencies. That's why we're committed to developing and implementing a program that meets or exceeds federal requirements.

Through our public awareness communications programs, we aim to raise the awareness of the public and key stakeholders to the presence of our pipelines in their community, and increase the understanding of the role of pipelines in transporting energy.

Total Giving Reached \$6.8 million in 2012

Community Investment Project Highlights

- **Boys & Girls Clubs** – In October 2012, NIPSCO employees donated \$100,000, raising nearly the entire sum through various employee fundraisers. In addition, the company donated \$1 million to turn a school that's no longer used into a state-of-the-art Boys & Girls Club.



- **Holiday Toys** – CPG held a toy drive for the Toys for Tots Foundation, collecting more than 100 toys. Employees in Houston also presented a \$5,000 donation. CPG's Gas Control partners helped make food baskets that are delivered with the donated toys through a local charitable organization, the Mustard Seed.



- **United Way** – During 2012, Columbia Gas of Pennsylvania (CPA) and Maryland (CMD) employees raised more than \$90,000. Columbia Gas of Ohio (COH) held 37 individual campaigns and donated approximately \$600,000 to chapters in Ohio.

- **Community Involvement** – Columbia Gas of Virginia (CGV) provided \$320,000 and countless employee hours to organizations that provide basic human needs to neighbors, educate children about energy and the environment, support emergency responders and celebrate diversity.

- **Supporting Neighbors in Need** – When Superstorm Sandy battered the East Coast with 80-mph winds and 13-foot ocean surges in late October 2012, more than 120 employees headed east to support utilities hit by Sandy. In addition, CPG donated \$25,000 to support the American Red Cross.



CUSTOMER-FOCUSED ENERGY SOLUTIONS

Across our businesses, NiSource provides a product and service that is critical to the needs of everyday life – energy. We're in business because our more than 3.8 million customers have this need, and it's our responsibility to ensure that we're doing what we can to deliver on our customers' expectations, including delivering safe, reliable and affordable energy each and every day.

Helping Customers Manage Energy Use, Lower Bills

Across NiSource, we've implemented a variety of programs that help our customers save money by managing their energy use. This not only lowers their overall utility bill but also helps conserve natural resources by using less fuel.

In 2012, customers saved \$4.2 million through our natural gas energy efficiency programs. That's enough energy to heat 10,500 homes for a year.

Helping Customers in Need

We believe it's critical to leverage our community partnerships and provide energy assistance to those who need it most. General economic recovery is slow in many of our territories and the number

of customers in need remains high. Through programs like the Low Income Home Energy Assistance Program (LIHEAP) and HeatShare, we provide funding to customers who struggle with their home energy bills.



In February 2012, NiSource joined other utilities and consumer advocates to take part in LIHEAP Action Day on Capitol Hill. The nearly 200 participants stressed the need for sustained heating assistance funding for low-income households. In total, NiSource distributed approximately \$56 million LIHEAP funds during the 2011/2012 period.

Customer-Focused Energy Solutions Project Highlights

- **Baystate Medical Center** – Columbia Gas of Massachusetts (CMA) assisted the level one trauma center with lowering its energy consumption through several measures, including funding a survey of its facilities and recommending cost-effective, energy efficiency solutions and replacing two inefficient boilers and controls. CMA contributed \$100,000 in rebates. The incentives from CMA and the dollar savings on operating costs help the trauma center put more funding toward patient care.

Collaborating with Customers

Listening to customers and other stakeholders is at the heart of everything we do. With this collaboration in mind, we launched a number of new technologies and resources based on what we heard from customer focus groups. Highlights include:

- Mobile Websites – In 2012, we launched mobile websites with our customers in mind. The approach was simple: build the best possible experience using a customer-centered design strategy. Customers were surveyed, and invited to participate in usability sessions. Their valuable feedback led to the final, award-winning product.

- Redesign of Company Websites – Combining website analytics and customer feedback, we redesigned our companies' home pages, improved navigation, refreshed content and added new features, including the ability for customers to login from the home page.

SAFE, SKILLED & ENGAGED TEAMS

NiSource is focused on developing a strong foundation of engaged employees, ensuring leaders for the future and strengthening our safety culture with a focus on continuous improvement. Engaged, aligned and safe employees are key to creating long-term value for our customers, shareholders and employees.

Safety First

We've instituted a number of initiatives aimed at engraining a 'Safety First' mentality across NiSource. Accomplishments include:

- Instituted a Safety Rewards Program to recognize employees for working safely every day
- Launched safety-focused sites on our intranet
- Formed a Contractor Safety Team
- Unveiled a new safety slogan at CPG, 'Safe by Choice, Not by Chance'
- Completed the second NiSource-wide Safety Summit in early 2013

Developing Talent for Tomorrow

A key focus at NiSource is helping our employees maximize their potential and develop at every level – individual contributors, leaders of people, leaders of leaders and leaders of organizations. Beyond strengthening our current workforce, we also focus on developing future workforce needs.

Culture of Inclusion & Diversity

Inclusion and diversity (I&D) is central to our efforts to build a stronger company that respects and values everyone's unique contributions, views and fundamental desire to do good work. More than 1,000 employees across the organization are actively involved in our I&D efforts through diversity councils, employee affinity groups, mentoring programs and community events.

All employees are expected to embrace the following inclusive behaviors: mutual respect, acceptance, teamwork, communication and valuing individual differences.

Building a Pipeline of Women Leaders

NiSource's Building the NextGen, Women in Leadership Program is designed to enhance our pipeline of top leaders by helping to attract, develop and retain talented female employees. The program features:

- National summit and regional meetings: Women leaders from across NiSource come together with company executives and external experts to share ideas, network and build leadership skills.
- Mentoring program: We launched a pilot mentoring program in 2012 that paired women with senior leaders across the company.
- Resource group: A company-wide women's resource group – Developing and Advancing Women at NiSource (DAWN) – launched in early 2012 and has more than 500 male and female employee members.



In addition to DAWN, NiSource has four other Employee Resource Groups, including: Generating Opportunities for Latinos & Diversity (GOLD), Leadership & Education for African American Development (LEAD) and NiSource Veterans (NIVETS). These Employee Resource Groups are open to all NiSource employees.

Supplier Diversity

We value diversity among our suppliers and have developed a comprehensive approach to growing our pool of diverse suppliers. Diverse suppliers are critical to job development, neighborhood stabilization and economic growth in the communities we serve. Additional information can be found in NiSource's Inclusion & Diversity Report available at www.nisource.com/diversity.

Engaging Our Teams

Employee engagement is a key focus across NiSource. There is strong evidence of a link between engaged employees and how well a business performs. Research shows that

engaged employees are more willing to take on new challenges, improve processes and provide higher levels of customer satisfaction. NiSource continues to be designated a 'high performer' by TNS Employee Insights, a national leader in employee research and consulting and manager of our annual employee engagement survey.

Each year, NiSource employees share their opinions about the workplace through a confidential survey. The results are analyzed and used to identify areas for improvement and drive change throughout the company.

The overall favorability score was 77%, our best performance to-date and a 3% improvement from 2011. More than 97% of employees participated.

Safe, Skilled & Engaged Teams Project Highlights

- **Driver Safety** – We're focused on continuous improvement in preventing vehicle crashes. In 2012, all employees were required to complete a safe driving course. This course continues in 2013 with additional targeted driver training for all employees. We believe this training will not only reduce on-the-job incidents but also improve employee safety away from work – a core focus on creating a safety culture.
- **World's Most Ethical Companies** – In 2012, we conducted a third-party assessment of our Code of Business Conduct. Overall, NiSource ranked in the top 9% of all 3,300 codes reviewed.

In 2013, NiSource was named one of the World's Most Ethical Companies by Ethisphere Institute for the second consecutive year.

