



NiSource helps energize the lives of its nearly 4 million natural gas and electric customers across seven states. Our local utilities – Columbia Gas and NIPSCO – ensure that customers receive safe, reliable and affordable natural gas and electric service each and every day. Our business plan is focused on proactively investing in our energy infrastructure – approximately \$1.4 billion annually – to ensure we meet and improve upon our customer commitments now and through the decades ahead.

We employ more than 7,500 of our neighbors who are actively engaged in the communities we're privileged to serve, making them great places to live and call home. NiSource is headquartered in Merrillville, Indiana – about 35 miles from Chicago – and we maintain a significant corporate presence in Columbus, Ohio.

NiSource has been designated a World's Most Ethical Company by the Ethisphere Institute since 2012 and is a member of the Dow Jones Sustainability North America Index. Additional information about NiSource, our investments in modern infrastructure and systems, and our commitments and local brands can be found at www.nisource.com.

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# A Message from Joe Hamrock, NiSource's President and CEO

### Fellow Stakeholders:

It is an exciting time to be at NiSource. The momentum we've built over the past several years has NiSource positioned to sustain high value for our customers and communities in the years ahead. During the past year, we successfully completed the separation of our natural gas pipeline, storage and midstream business into an independent company while maintaining our sustainable approach to safety, reliability, customer experience and community engagement.

As we move forward as a pure-play utility with seven thriving local brands, NiSource's success continues to be built on the efforts of our team. Our 7,500 employees work hard to provide our nearly 4 million customers with the safe, reliable and affordable energy they need to cook, use hot water, and light, warm and cool their homes and businesses.

In 2014, we conducted a sustainability materiality survey with internal and external stakeholders to gain a better understanding of which sustainability issues are most important to them.

Those aspects that ranked highest in materiality to both internal and external stakeholders align with our well-established business strategy and focus: Employee Safety, Public Safety, Service Reliability and Emergency/Storm Response. Other highly rated categories were Ethics and Transparency and Overall Customer Satisfaction. Using these areas of materiality, we have identified goals we are working to achieve, and will report on our progress.

We've aligned this report and our strategy to present a sharpened focus on sustainability, through the lens of four of our stakeholder commitments:

 Industry-leading safety performance. Keeping our customers, communities, employees and business partners safe.

- Top-tier customer satisfaction.
   Making it easy for our customers to do business with us.
- Investments that systematically and efficiently deliver service integrity.
   Improving environmental performance, reliability and safety, providing value to our customers and communities through our investment programs.
- Recognized among the best places to work by all in our communities.
   Continuing to strengthen our culture and what we're known for – serving our customers with integrity and the highest of ethical business standards, while building diverse, inclusive teams with opportunities to engage and develop.

As you read this report, you'll find that our overall approach toward sustainability has not changed. Rather, we've heightened our focus on what matters most to our stakeholders and NiSource as a fully regulated utility company. In many cases, 2016 will be a baseline for our enhanced measures across each of these four commitments. For information on our commitment to delivering shareholder value, I also encourage you to read our annual message to stockholders available at www.nisource.com.

I'm pleased to share our story with you in NiSource's 2015 Sustainability Report, and I appreciate your continued interest and engagement.



Joe Hamrock
President and CEO
NiSource Inc.

# Our Stakeholder Commitments

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

### **Industry-Leading Safety Performance**

Our ultimate safety goal is always to be incident-free. While it's an ambitious goal, we are determined to deliver on our commitment of industry-leading safety performance.

This goal lies in our fundamental desire to keep people safe – equally applied to our employees and business partners, as well as our customers and communities. For employees and business partners, we've established milestones that set us at the top decile of industry performance. It's the most important thing we do and an absolute expectation for ourselves and all who contribute to our work.

To track our progress, we measure three key employee areas, including preventable vehicle collisions; Days Away, Restricted or Transferred (DART); and Occupational Safety and Health Administration (OSHA) recordable incidents.

We also undertake far-reaching efforts to keep our systems safe. We consider two key measures – emergency response time and facility damage prevention for our underground lines to avoid line damage. Emergency response time is a measure of how long it takes for the company to respond to reports of potential gas leaks or other emergencies.

Looking back, we've come a long way to improving our safety performance across all key measures, and there is more work to be done to achieve our goal of being incident-free.



### INDUSTRY-LEADING SAFETY PERFORMANCE Measure Milestone 2015 Status **Current Performance** DART Rate Top Decile by YE 2017 1.03 of Industry Average Ahead **OSHA Incidence Rate** Top Decile by YE 2017 1.74 of Industry Average Vehicle Collisions Top Decile by YE 2017 2.14 **Top Quartile** Facility Damage Prevention Approaching Top Quartile by 2018 2.87 [per 1,000 Facility Industry Average Locates] 98% of Emergency **Emergency Response** Ahead 92.74% Response <45 minutes by of Industry Average YE 2016

# Recognized for Safety Achievement

In 2015, the American Gas
Association (AGA) recognized
Columbia Gas of Maryland and
Columbia Gas of Kentucky as industry
leaders in safety with the AGA Safety
Achievement Awards.

The awards are given to AGA member companies with the lowest injury rates for companies of their type.

This was the second consecutive year that our Kentucky operations received the AGA Safety Achievement Award for outstanding employee safety, while our Maryland operation was recognized for outstanding fleet safety.

All of the Columbia Gas companies and NIPSCO were awarded Industry Leader Accident Prevention certificates, which were earned by achieving a DART incident rate average below the industry average.

### **Employee Safety**

Our focus on safety starts from within, where we prepare our employees and contractors to keep themselves, our customers and our communities safe through various training and educational efforts.

In 2015, we continued many of our well-established programs, making an impact on our safety performance, and introduced several new concepts to further reduce the gap between our current metrics and our incident-free goal.

We focus many of our available resources on those areas that have the highest risk for our employees and business partners, based on our review of historical safety data. For example, there are six areas causing the most injuries, with the two leading causes being slips, trips and falls and hitting fixed objects (while driving).

### Reducing Vehicle Collisions

Our employees drive more than 51 million miles each year, and reducing vehicle collisions is a starting place for a safe work environment. We believe it also sets the stage for safety at home and in other areas where we deliver service to our customers.

Safe driving begins with training, supported by technology. All of our employees, regardless of their role, participate in quarterly training modules focused on safe driving.

On the technology front, backup sensors and cameras are being added to our fleet, and we're using safety telematics across our fleet to help improve our driving habits and reduce collisions.

Our safety telematics provide real-time, in-vehicle feedback to empower drivers to self-correct and improve safe

driving behaviors. Employee vehicles are monitored by an electronic device in five categories of driving maneuvers: braking, cornering, lane handling, acceleration and speed.

When a maneuver exceeds a set limit, an event is triggered and the driver receives audible voice feedback. Drivers receive a numeric safety score, which is calculated by the average number of events triggered across a 10-hour driving period.

Since introducing the technology, we've seen improved driving performance and reduced unsafe driving behaviors. With a target score of 20, we've seen numbers drop from 21.5 to 10 or below, ultimately resulting in fewer vehicle collisions.

### Reducing Slips, Trips and Falls

The majority of our employee and business partner safety incidents involve a slip, trip or fall – all preventable with the proper training and equipment.

In 2015, NiSource began piloting a slip, trip and fall simulator to help employees learn techniques for walking in slippery conditions, while emphasizing the need for proper footwear.

Harnessed safely to an overhead beam, employees venture a few feet across a surface with footwear that

aids in the simulation. The first few passes are easy, as the ice-like conditions have not yet been simulated.

Later, with the simulation in place, employees have a much more difficult time making the short walk. Then, participants are taught how they can walk in similar conditions to improve their safety.



### System Safety

At the top of our safety performance is responding to our customers and communities when they need us most. Starting in 2016, our goal is to arrive at the scene of a natural gas emergency within 45 minutes 98 percent of the time. The industry standard, and our metric for 2015, was within 60 minutes 98 percent of the time – a metric we exceeded during the year.

### **Enhancements Through Technology**

We're improving our systems and processes, and implementing new technologies, to more efficiently dispatch the closest available resources, which enhances our emergency response and restoration efforts.

New software integrated with NIPSCO's Geographic Information System (GIS) works in conjunction with Google Maps to allow outage assessors to pinpoint an outage location at the click of a button. The findings are uploaded to our server in nearly real time, allowing storm managers to better assess storm damage and project needs earlier in the process.



Safety is ingrained in our culture, supported through both corporate-wide and local initiatives.

On top of training our employees to work safely, NiSource leaders and employees are challenged to advance our safety culture through the right mindset. One such approach is our Just Culture initiative.

Just Culture is an attitude toward safety based in our values of respect and inclusion, working together, transparency and doing the right thing, by focusing on shared responsibility.

A key concept is that employees will not be blamed, shamed or punished for making an honest mistake, which encourages incident and near-miss reporting, so we can learn from and avoid repeating these situations.

Alternatively, in cases where individuals make a choice to work unsafely, the activity involved will be evaluated to determine whether further action is necessary to reinforce expected safe work behavior in the future.

Regardless, our first consideration is to determine whether supervision, leadership and organizational support properly prepared the employee to perform their work safely.

### A Partnership in Safety

Another safety measure we track is facility damage prevention, which is defined as the number of excavation and demolition damages to underground facilities per 1,000 locate requests received through a state one-call center. Essentially, this measure represents how many times our facilities are damaged by someone coming in contact with our lines when digging. Each year there are approximately 1.2 million facility locates across NiSource companies.

A key component of improving safety in this area is increasing our engagement with contractors and municipalities to educate them about the importance of knowing the location of underground facilities. This includes in-person conferences and individual meetings to ensure understanding of "call before you dig" laws and the consequences of non-compliance, including fines in certain states.

In parallel with educating contractors and municipalities, natural gas system safety is also a partnership with the community. We provide proactive educational information and training to emergency responders including fire departments and law enforcement, as well as customers and communities. We invested approximately \$3.2 million in these activities during 2015.

This investment includes training to help ensure all emergency responders are aware of what to do and how to stay safe whenever they respond.

Taking it a step further in 2015, emergency response officials from across NiSource's service area met in Pennsylvania for a collaborative discussion designed to help NiSource efficiently and safely prepare its employees and first responder partners for natural gas emergencies.

Facilitated by NiSource leaders, the one-day session included national representatives from:

- Pipeline and Hazardous Material Safety Administration
- National Association of State Fire Marshals
- Regional and local fire departments
- · Arson investigation units
- · Fire academy leadership
- Emergency management agencies
- · Bomb squads

The group also discussed the importance of building productive partnerships with other local emergency responders. We are also working to integrate their feedback into future training curriculum and planning.

### **Educating Customers**

Public awareness also matters for our customers and communities. We share safety messages with our customers in a variety of ways to help them safely enjoy the benefits of the natural gas and electric energy our companies provide.

Customers with questions about their service can call our customer contact center and are advised of any pertinent safety precautions. Employees who visit a customer's home or a job site make sure customers are safe and take all necessary precautions.

We remind customers about safety topics such as ice and snow issues, how to report gas odors and emergencies, damage prevention and carbon monoxide awareness through coordinated campaigns, delivered in emails, printed materials and on the web. We also send targeted emails to customers to help them prepare for potential events such as winter storms, floods or high winds, with tips to stay safe or report outages.

We continually focus our efforts to increase public awareness around safety topics related to our industry, including increasing public awareness about our underground natural gas and electric facilities, and how to live and work around them safely. The number one cause of natural gas pipeline damages is from third parties digging near underground facilities.

Across NiSource, we focused much attention in 2015 on educating the public about the importance of calling 811 or using an online ticket entry process before excavating.

Realizing our employees are our best advocates and connection to the customers and communities we serve, we've added 811 logos to the shirt sleeves of company uniforms across NiSource.

National Safe Digging Month (April) and National Safe Digging Day (August 11) give our companies another opportunity to celebrate local partners in safe digging with awards, thank you gifts and other awareness events.

We also realize it's important to educate children about natural gas safety. One way we do that in Ohio and Pennsylvania is by using Digger Dog®. This safety mascot makes regular appearances at schools and other community events to let children — and their teachers and parents — know about how to recognize the rotten-egg odor of natural gas and to call 911 and their local utility if they smell it.



NiSource and Columbia Gas of Ohio employees formed a human 811 outside our Columbus, Ohio, offices, reinforcing the importance of every employee being an ambassador for safe digging.

### **Top-Tier Customer Satisfaction**

Our goal of top-tier customer satisfaction reflects our aspiration to improve our customers' lives by making it easy to do business with us through energy efficiency, customer programs and process improvement.

Our goal is to be in the top 25 percent of our peers when it comes to customer satisfaction. We measure this primarily through an aggregate of all of our companies' J.D. Power scores, which annually measure residential customer satisfaction. To stay responsive to our customers' expectations, we listened to feedback from our customers and we have built our roadmap to enhance the experience our current and future customers have when doing business with us.

We also know that a key component of meeting customer expectations is to arrive when our customers expect us. We're currently in line with industry average, arriving on time more than 97 percent of the time in 2015, but our goal is to be industry-leading — arriving on time 99 percent of the time — by the end of 2017.

Across NiSource, we also strive to provide our customers with the information and support they need through a variety of programs and events.

### **Creating a Better Customer Experience**

Customer needs and expectations are ever-evolving. As new technologies and processes become available, regardless of the industry, we consider — with the assistance of stakeholder input — how it affects customer expectations and explore changes to enhance our customers' experience. Improved appointment windows, online outage reporting, easier online and mobile transactions, and a new bill layout are all the result of our continuous improvement efforts.

### **Shorter Appointment Windows**

Our customers are busy and don't always have time to wait for a service appointment. We gathered feedback from customer focus groups and learned that many customers wanted more options for shorter appointment windows. In 2013, we launched pilot programs for two-hour appointment windows in our Toledo, Ohio, and southern Pennsylvania operating areas. In 2015, the pilot expanded to all of our Pennsylvania and Maryland service territories.

# TOP-TIER CUSTOMER SATISFACTION Milestone 2015 Status Current Perform

Measure	Milestone	2015 Status	Current Performance
J.D. Power Residential Score	First Quartile by YE 2018	Second Quartile	In Line with Industry Average
On-Time Appointment Rate	99% by YE 2017	97.49%	In Line with Industry Average
LiHEAP Funding	Advocate for Full Funding	\$68 M	-
Energy Efficiency – Customer Participation	-	~525,000	-
Energy Efficiency – Energy/Dollars Saved	-	17,746,506 therms 124,926 MWh \$9,687,644	-

### **New Bill Format**

Another key effort to enhance the customer experience launched in mid-2016, when NiSource customers received the first round of bills printed in a new, easier-to-read format. Through this enterprise-wide effort, we've developed a new bill based on customer feedback — more than 2,300 customers and other stakeholders provided input.

The enhancements include:

- Easier to read: Larger, more streamlined text and icons in a simple layout.
- Prominent energy usage information: A larger graph that offers 13 months of historical usage.
- Focus on safety: More emphasis on tips to help customers stay safe around natural gas and electricity.

# Columbia Gas Contact us The second of the

# Improving Customer Communications

We communicate to our customers through the mail, email and online, as well as by phone. No matter the type of communications, we aim to provide the information customers need.

We use tools such as *My Energy Insights*, our online customer panel, to ensure our messages better meet their needs. Using customer feedback, we increased the number of targeted email messages sent to customers for

energy efficiency campaigns, infrastructure replacement projects and emergency communications. The ability to target messages to customers by zip code, county and energy usage (among other things) has significantly increased the effectiveness of our communications, including emergency storm preparedness and response. We're focused on sharing the information customers want, when they want and need it.

We began using text messaging in our NIPSCO electric business in 2015. Customers can text the word "Out" to a designated number to notify NIPSCO of an outage at their home or business. This offering is free to use, but individual carriers may charge for text messaging and data rates depending on the mobile user's usage plan. This latest service enhancement provides electric customers with four ways to report a power outage: By text, by mobile device, online or by phone.

Customers who text to report their outage are also invited to sign up to receive updates and estimated outage restoration times by signing up for NIPSCO Alerts — a new program designed to provide customers with updates on their account, such as outage updates and bill payment reminders. More than 9,200 customers have signed up to receive service alert messages from NIPSCO.

Our more than 7,500 employees are an extension of our customer service, and we improved the service they can provide with the NiSource Ambassador Program. The program enables — and empowers — employees to provide follow-up on non-emergency questions from customers and other stakeholders, regardless of where they are or if they are on the job. Employees simply submit the question to the Ambassador Program online or by phone, along with some brief details for assistance and follow up. More than 300 customer questions were resolved through the program in 2015.

# Mutual Benefits in Energy Efficiency & Assistance Programs

Our companies offer a variety of programs and events to connect our customers with the services and support they need to be able to pay or lower their utility bills and improve the comfort of their homes, whether through rebates and incentives for energy-efficient upgrades, home check-ups or winterization services.

Educating customers about the benefits of energy efficiency and how to use less energy is the right thing to do; it results in savings for our customers and conserves natural resources. In 2015, NiSource companies helped more than 525,000 customers save about \$9.7 million through enrollment in our energy efficiency programs. Overall, our energy efficiency programs helped customers reduce their natural gas usage by approximately 17,700,000 therms and electricity by nearly 125,000 MWh in 2015.

We're proud of our role serving our customers and communities. That includes building partnerships with local organizations and advocating for programs at the state and federal level. We advocate for full funding of the Low Income Home Energy Assistance Program (LIHEAP), which has been reduced from \$5.1 billion to \$3.39 billion over the past six years. These reductions have a direct impact on customers who are eligible for assistance based on income guidelines, because they can't always access the support they need. In 2015, NiSource customers were allocated more than \$68 million of the federal allotment.

# Investments That Systematically and Efficiently Deliver Service Integrity

As part of our long-term business strategy, NiSource is making significant investments in our infrastructure, including nearly \$30 billion in identified long-term system modernization and growth programs spanning the next 20+ years.

Our progress on this commitment to modernize our system is measured in a variety of ways, including capital investment, methane reduction, leak reduction and the diversity of our supply chain. We also report and track a number of measures related to the environmental performance of NiSource – where our goal is always to manage and improve our performance.

NiSource invested nearly \$1.37 billion in natural gas distribution system and electric operations in 2015, with an emphasis on modernizing our systems to enhance safety, reliability and customer service, while also improving environmental performance. At the same time, these investments are generating significant economic development in the areas where we operate.

Programs across NiSource's seven operating companies are targeting cast iron, bare steel, early vintage plastics, and other gas infrastructure materials nearing the end of their useful lives and replacing them with modern pipeline materials. In our electric business, we're upgrading substations and replacing transformers and poles, among many other items. Across NiSource's operations the

### **Customer Data**

Part of giving our customers the experience they expect and deserve is keeping their personal information safe.

That's why we have a Cybersecurity Governance model that is used to manage and mitigate cybersecurity risks. This model includes a Cybersecurity Subcommittee that meets regularly and reports to the NiSource Risk Management Committee on risk related to information security.

We follow policies and procedures to keep data safe. Because preparation is so important, we have a breach response plan that can be activated in the event that personal information in the custody or control of the company is stolen, lost or subject to unauthorized access.

We contract with a specialized breach management firm to enhance our potential response.

We test our plan through exercises and simulations designed to evaluate current procedures and learn about possible gaps to make improvements. financial impact of these programs to customers is eased by phasing in the costs of these programs over multiple years. These investments are happening at a time of low, stable natural gas prices, which also helps keep customer bills manageable.

These investments have translated into a safer and more reliable energy system. For example, we've reduced main leaks by 9 percent and service line leaks by 14 percent in the past five years. Our goal is to reduce leaks by an additional 2 percent in 2016.

# Reducing Methane Emissions and Our Carbon Footprint

In March 2016, NiSource joined the Environmental Protection Agency's (EPA's) Natural Gas STAR Methane Challenge Program as a founding member. The Methane Challenge Program is an integral part of the EPA's ongoing commitment to address methane emissions and global climate change. The program provides a framework through which oil and gas companies can make and track commitments to reduce methane emissions.

Through the five-year Methane Challenge Program commitment and our associated investments in natural gas infrastructure, NiSource estimates it will further reduce methane emissions by more than 145,000 metric tons of carbon dioxide equivalent (CO2e) – or the equivalent of taking approximately 30,000 cars off the road. Over the course of the program, we will report on our progress toward this goal.

These efforts will build on NiSource's strong track record of environmental commitment and performance. In fact, over the past 10 years NiSource has reduced CO2e emissions across our gas distribution companies by 23 percent.

Since its adoption in 2009, the NiSource Climate Change Policy guides NiSource to increase efficiency and reduce the carbon intensity of our operations, including reducing methane losses from natural gas operations and producing and obtaining electricity from sources with lower carbon intensity.

As regulation of energy infrastructure continues to evolve, NiSource is actively engaged in the rulemaking process and closely following all related activities. We support appropriately crafted federal legislation on climate change reflecting a balanced approach that considers available commercial technologies and cost increases to our customers, and recognizes the environmental benefits of natural gas.

### INVESTMENTS THAT SYSTEMATICALLY AND EFFICIENTLY DELIVER SERVICE INTEGRITY Current Measure Milestone 2015 Status **Performance** ~\$1.4B **Capital Investment** \$1.37B On Track Annual Investment 1.5% per year replacement Founding Member -**EPA Natural Gas STAR** Launched March On Track -145,000 metric tons CO2e Methane Challenge over five years 2016 **Total Diverse Supplier** 2016: 7% Approaching 5.5% 2020: 10-12% Milestone Spend NiSource Diverse 2016: 2.8% 2.6% On Track Suppliers 2020:5% NiSource Diverse Supplier 2016:9% 9.3% On Track 2020: 12% Spend \$1 M+

### **Sulfur Dioxide Emission Reduction**

The year 2015 marked an important achievement in NIPSCO's multi-year effort to install state-of-the-art pollution control technologies across the company's fleet of coal-fired power plants. Our largest investment was the construction of flue gas desulfurization (FGD) equipment at our R.M. Schahfer Generating Station. The FGD scrubbers use state-of-the-art technology to remove sulfur dioxide from emissions resulting from the generation of electricity. The first FGD unit was placed into service in late 2013 and the second unit came online at the end of 2014. The final FGD project, completed in 2015 at our Michigan City Generating Station, included the installation of a fabric filter bag house for collecting scrubber byproducts and particulate emissions.

These projects are the culmination of more than \$850 million in investments that have improved air quality and help ensure NIPSCO's generation fleet remains in compliance with current environmental regulations.

The scrubbers are reducing sulfur dioxide emissions from those units by 90 to 99 percent. In addition to reducing sulfur dioxide emissions, the Michigan City installation will reduce particulates, acid gases and mercury emissions from flue gas.

Included in NiSource's overall environmental investment, the company's electric generation facilities are installing additional pollution control equipment aimed at achieving further reductions in mercury and particulate emissions to comply with the EPA's Mercury and Air Toxics Standards (MATS). NIPSCO acted as a pioneer in the utilization of the new emission monitoring technologies for continuous measurement of mercury and particulate matter in boiler flue gas.

Now that these projects are complete, NiSource's coalgenerating fleet is fully scrubbed.

### A Milestone in Modernization

In late 2015, Columbia Gas of Virginia achieved a significant milestone in system safety with the elimination of the last known segment of cast iron pipe from the company's more than 5,000-mile, underground natural gas pipeline infrastructure.

As part of a long-term pipeline modernization program, the Virginia team has worked over the past 25 years to make these upgrades to its underground natural gas pipeline system.

In Virginia, we will invest an additional \$150 million over the next five years as part of the continuation of our natural gas infrastructure modernization plan. The extension was in accordance with the SAVE Act (Steps to Advance Virginia's Energy Plan), which establishes a regulatory framework for Virginia's natural gas utilities to invest in replacing older infrastructure.

The types of facilities targeted for replacement include older infrastructure constructed using bare steel and early vintage plastic pipe, as well as other materials that are nearing the end of their operational lives.

# Reducing Water Consumption, Preserving Quality

While NiSource operates in an area with abundant fresh water resources, we recognize the need to maintain water quantity and quality in our region and continue to invest in and maintain or improve water quality. A particular focus area is northern Indiana, where our use of water in electric generation is the highest among our operating areas. We continue to identify and implement new technology that ensures environmental compliance and the preservation of this vital resource for the surrounding community.

For example, our electric generation facilities return nearly 94 percent of water to surface water bodies used for electric generation in an environmentally responsible way that protects both water quality and the environment. Each of our coal-fired generating stations has a comprehensive mercury pollution prevention and minimization plan in place to reduce mercury discharges to the water.

In September 2015, the EPA finalized a revision to the Steam Electric Power Effluent Limitations Guidelines. These guidelines establish enhanced discharge standards across the electric generation industry. At NIPSCO, we have made investments to improve water quality both in the communities we serve and regionally. In 2013 and 2014, NIPSCO invested nearly \$25 million in improvements to the wastewater treatment facility at the Schahfer Generating Station as a part of the installation of the FGDs. Additionally, we selected a dry FGD process at the Michigan City Generating Station due to its location on Lake Michigan, a designated Outstanding Resource Waters. A dry FGD does not discharge wastewater and therefore eliminated any potential impact to Lake Michigan. We anticipate further investment in water quality improvement as a result of new EPA guidelines.

### Reflecting Our Communities in Supplier Diversity

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. NiSource has increased its focus on finding and doing business with qualified diverse suppliers. Our goal is to increase our spending with diverse companies that can help us meet our business needs, especially those that are owned by minorities, women and veterans.

To track our progress, we look at total spend with diverse suppliers, the number of diverse suppliers we use and the percentage of diverse suppliers with whom we spend more than \$1 million annually.

Doing so enhances our ability to meet our commitments to our customers and the communities we serve, including our commitment to delivering service integrity, while also providing valuable opportunities to companies that mirror the characteristics of our communities. NiSource is also encouraging all of its direct suppliers to expand opportunities for diverse companies in their supplier networks.

NiSource's supplier diversity program received the Edison Electric Institute's Supplier Diversity Innovation Award in 2015, in recognition of our innovative approaches to diverse supplier development.



Air Emissions Data in Lbs/MWh net				
Electric Generation	2013	2014	2015	
SO2 Emission Rate	4.15	3.47	2.08	
CO2 Emission Rate	2,231	2,205	2,013	
NOx Emission Rate	1.40	1.38	1.20	

### Direct and Indirect Greenhouse Gas Emissions - In CO2 eq Tonnes

	2001 Baseline	2014	2015
Scope 1			
Electric Generation	17,599,959	14,837,074	10,917,907
Gas Distribution	1,498,862	1,373,306	1,355,480
Electric Transmission & Distribution - SF6	125,593	44,215	26,023
CPG Combustion	2,032,649	944,441	-
CPG Fugitive & Vented	3,954,557	2,304,818	-
Total Scope 1	25,211,620	19,503,854	12,299,409
Scope 2			
Mobile	24,071	48,108	40,180
Building Energy - Natural Gas Heating		15,788	12,086
Indirect	130,564	173,236	53,334
Total Scope 2	154,635	237,132	105,599
Scope 3			
*Purchased Power	362,773	2,676,496	3,482,003
Combined Total	25,729,028	22,417,482	15,887,011

\*Increase over baseline due to ceased operations at Dean H. Mitchell Generating Station **Note:** As a result of the separation of our natural gas pipeline, storage and midstream business Columbia Pipeline Group (CPG) in July 2015, there are no CPG GHG emissions reflected in our 2015 data.

### 2015 Water Usage

Million Gallons\*

Withdrawal Return Consumption MWh Gallons/MWh % Returned
Bailly 75,682.8 75,552.4 130.4 1,441,465 90

# **Conserving Our Natural Resources and Wildlife Habitats**

As we make investments in our systems, including updating or adding new gas and electric transmission lines, conservation of our natural resources and wildlife habitats is a significant consideration.

Early in the routing phases of our projects we take avoidance and minimization measures to reduce environmental impacts.

We often adjust our routes to avoid:

- Identified parks, natural and recreational areas
- Important bird areas
- · Important cultural resources
- Endangered species habitats
- · Wetlands and streams

When practical, we utilize the directional bore method of pipeline installation to avoid sensitive stream and wetland resources.

Also, by relocating replacement pipelines to public roads and their associated right-of-ways, we are able to minimize or avoid the disturbance of many resources.

We also work closely with national, state and local agencies to implement voluntary conservation measures whenever possible and contribute to conservation efforts.

# Recognized Among the Best Places to Work by All in Our Communities

We want NiSource to be an employer of choice, where our employees are excited to work, grow and build a career. Through our robust hiring process, we ensure we have the right people in place who support our values. We give them the appropriate tools to perform their jobs, while fostering an inclusive workplace culture where all employees feel supported and have opportunities for growth and development.

While a lot goes into being seen as a best place to work, we measure development and engagement. Our primary measure for engagement is through our annual employee engagement survey. After a year hiatus from the employee engagement survey during the separation of our pipeline, storage and midstream business, we will have a new benchmark to measure from starting in 2016.

### **Developing Our Team**

The majority of our workforce is in the field, focused on serving our customers and maintaining our systems each day. Preparing them — on their first day and throughout their careers — is an area on which we're increasingly focused. And, we're putting resources behind it through the development of multiple state-of-the art training centers.

The first facility is set to open in mid-2016 outside of Pittsburgh. The facilities are being designed to ensure employees are ready to meet the needs of our customers, and to adapt to the ever-changing workforce and utility industry. The latest simulators and an updated curriculum, designed for the adult learner, will prepare our employees — no matter their career stage — to be their best and ensure their readiness. In addition to training our employees, the facilities also will be used to train first responders on how to respond to natural gas emergencies.

In addition to the training center in Pennsylvania, training center project plans are slated for completion by the end of 2017 in Ohio, Massachusetts and Virginia.

As employees progress through their careers, dedicated teams and resources are focused on developing skills beyond operational training. These experienced and knowledgeable employees focus on curriculum that support business needs and strategy, develop leaders, and support employees developing to their full potential. Nearly 2,000 NiSource employees took part in training in 2015, yielding a higher participation rate than the industry average.

# RECOGNIZED AS A BEST PLACE TO WORK BY ALL IN OUR COMMUNITIES

Measure	Milestone	2015 Status
Employee Engagement	Recognized as a High-Performing Organization	New Benchmark in 2016
Recommend NiSource as a Great Place to Work	Recognized as a High-Performing Organization	New Benchmark in 2016
Dollars for Doers Volunteer Hours	10,000 Hours ~12,000	
New Hire Experience Index	Baseline to be Set in 2016	New Measure in 2016

From leadership courses and self-paced content to programs focused on helping leaders flourish, we're building our pipeline of future leadership talent and boosting leaders' effectiveness and success.

### **Delivering Through Inclusion and Diversity**

To reach and sustain our organizational goals, Inclusion and Diversity (I&D) is central to our efforts, allowing us to build a stronger company that respects and values everyone's unique contributions, views and fundamental desire to do good work.

This commitment is more than just the right thing to do. It drives tangible benefits for our company, our customers and all of our stakeholders.

NiSource's high level of commitment to I&D is clearly demonstrated by the appointment of Carrie Hightman, NiSource's executive vice president and chief legal officer, as the corporation's diversity champion to drive our I&D efforts.

In addition to our emphasis on supplier diversity, our commitment to I&D is shown across our organization with the large number of local I&D efforts, as well as corporate-wide initiatives such as our Employee Resource Groups (ERGs) and mentoring programs.

### **Employee Resource Groups**

Open to all employees, the goals of our ERGs are to recruit, retain and accelerate the development of employees; participate in community service efforts that impact our customers and communities; serve as a collaborative voice around shared issues and concerns; and broaden understanding and awareness of inclusion, diversity and cultural competence.

### **DAWN**

Developing and Advancing Women at NiSource

### **LEAD**

Leadership & Education for African American Development

### **GOLD**

**G**enerating **O**pportunities for **L**atinos and **D**iversity

### **NIVETS**

The NiSource Veterans ERG

### **GENesis**

The NiSource ERG for new employees, the next 'gen'eration of the company

### 2015 NiSource Workforce Stats\*

**Total Employees: 7,586** 

5,585 (74%) Men 2,001 (26%) Women

1,051 (14%) Minorities

**Total Management Team: 1,379** 

212 (30%) Women (Mgr & Above)76 (11%) Minorities (Mgr & Above)

### **Total Generations Represented: 4**

63 (1%) Traditionalists (1925-48) 2,821 (37%) Baby Boomers (1949-64) 2,018 (27%) Generation X (1965-76) 2,684 (35%) Millennial/Gen Y (1977-Present)

### **Total Executive Leadership Team: 9**

6 Men 3 Womer 1 Minority

### **Total Board of Directors: 9**

WomenMinority

\*As of December 31, 2015



### Continued Recognition: NiSource Named one of the World's Most Ethical Companies in 2016

Since 2012 NiSource has been designated as one of the World's Most Ethical Companies by the Ethisphere Institute.

The prestigious list of 131 companies highlights organizations throughout the world that show leadership in promoting ethical business standards as measured by five specific categories:

- Ethics and Compliance Programs
- Corporate Citizenship and Responsibility
- · Culture of Ethics
- Governance
- Leadership, Innovation and Reputation

Our focus on service integrity and ethical business standards is embodied by our employees and guided by our Code of Business Conduct.

### **NiSource Mentoring Program**

Launched in March 2016, the NiSource Mentoring Program is designed to enhance NiSource's pipeline of leadership talent by helping to attract, grow, develop and retain talented, high-potential employees. The first two phases are focused on employees from traditionally under-represented groups, including women and minorities. Participants in the 12-month program are matched with a senior-leader mentor to support their development throughout the year.



Mentee Jana Croom (left), director of regulatory affairs, discusses her goals with her mentor, Dave Monte, sr. vice president of safety, environmental and training.

### **Supporting Our Communities and Employees**

NiSource and its operating companies continued in 2015 to actively support organizations working to make a difference in communities across our seven-state footprint.

We contributed more than \$5 million to non-profit organizations in our communities, including \$1.9 million in giving by the NiSource Charitable Foundation.

As part of this effort, we partner with our employees to support the organizations about which they are passionate.

More than \$240,000 of the funding provided by the NiSource Charitable Foundation in 2015 was given in recognition of employee volunteerism through the Dollars for Doers program. This program encourages employees to make a difference in our communities by matching their volunteer hours with a financial contribution up to \$500 per employee to eligible non-profit organizations. In 2015, NiSource employees volunteered nearly 12,000 hours as part of this program. Our eight most senior-level executives serve on 20 non-profit boards within our service territory.

# Impactful Community Partnerships

Across our companies, we look for opportunities to make lasting impacts through community partnerships that align with our business and support our customers.

For instance, Columbia Gas of Massachusetts has supported the Western Massachusetts chapter of the American Red Cross for decades. With increasing demands for disaster relief, blood services and support to the military and families, the Red Cross can count on us as an established community partner.

From charitable donations and fundraising event sponsorships to volunteerism, we support the Red Cross in assisting people after home fires or disasters, educating residents about fire and disaster safety, and teaching health and safety classes to help citizens prepare for emergencies.



### **Report Parameters & Materiality**

This report covers calendar year 2015 and was developed to address four key sustainability commitments relevant to NiSource's Sustainability Strategy and Policy and of interest to its stakeholders based on ongoing feedback. The four sections include status reports on what NiSource is doing to achieve these stakeholder commitments: Industry-leading safety performance; Top-tier customer satisfaction; Investments that systematically and efficiently deliver service integrity; Recognized among the best places to work by all in our communities. The economic portion of our Sustainability Strategy is outlined in our 2015 Annual Letter to Shareholders available at www.nisource.com.

This report, which covers the seven operating companies of NiSource, is not all-inclusive and includes topics that have a direct or indirect impact on NiSource's ability to operate and create economic, environmental and social value. On July 1, 2015, NiSource separated its natural gas pipeline, storage and midstream business into an independent, publicly traded company. Unless otherwise noted, all information within this report reflects our current business operations only.

The concept of materiality is core to the corporate sustainability reporting process. In 2014, NiSource conducted internal and external materiality assessments to help ensure that we are focusing on sustainability issues of importance to our stakeholders, and to ensure that issues deemed material by our stakeholders are aligned with our business strategy and risks. The surveys were sent to management employees across NiSource's operations with a 55 percent response rate, and to external stakeholders from each of our businesses with a 30 percent response rate. The feedback we received from the surveys helps to align our report.

The aspects that ranked highest in materiality to both internal and external stakeholders were: Employee Safety, Public Safety, Service Reliability and Emergency/Storm Response. Other highly rated categories were Ethics and Transparency and Overall Customer Satisfaction.

In addition, we follow the Global Report Indicator (GRI) G4 reporting methodology as the basis of our disclosures. The GRI table applicable to this report and our Sustainability Scorecard with more information about our metrics can be found at www.nisource.com/sustainability.

### **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.

### **Report Assurance**

To help guide the 2015 reporting process, a task force 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 Global Reporting Indicator (GRI) tables to provide a statement of assurance to indicate the report met the requirements of GRI G4 guidelines. The full GRI table is available at www.nisource. com/sustainability.

Our last internal audit of our Sustainability Report was completed in early 2012. No significant weaknesses were discovered during the audit; however, recommendations from the audit were incorporated into subsequent reports. We continuously look for ways to improve our sustainability reporting and the involvement of our stakeholders. This is our seventh Sustainability Report, and our progress can be seen through increased levels of reporting and stakeholder inclusion.

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

### **Forward-Looking Statements**

This report contains forward-looking statements within the meaning of federal securities laws. These forward-looking statements are subject to various risks and uncertainties. Examples of forward-looking statements in this report include statements and expectations regarding NiSource's business, performance, infrastructure investments and growth. Factors that could cause actual results to differ materially from the projections, forecasts, estimates, plans and expectations discussed in this report include, but are not limited to, NiSource's debt obligations; any changes in NiSource's credit rating; NiSource's ability to execute its growth strategy; changes in general economic, capital and commodity market conditions; economic regulation and the impact of regulatory rate reviews; compliance with environmental laws and the costs of associated liabilities; fluctuations in demand from residential and commercial customers; economic conditions of certain industries; the price of energy commodities and related transportation costs; the reliability of customers and suppliers to fulfill their payment and contractual obligations; potential incidents and other operating risks associated with our business; the impact of an aging infrastructure; the impact of climate change; potential cyber-attacks; risks associated with construction and natural gas cost and supply; extreme weather conditions; and other matters referenced in the "Risk Factors" section of NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, and in other filings with the Securities and Exchange Commission. NiSource expressly disclaims any duty to update, supplement or amend any of its forward-looking statements contained in this report, whether as a result of new information, subsequent events or otherwise, except as required by applicable law.

