



# 2016

## INTEGRATED ANNUAL REPORT



**MSource**





# *Supporting Our Communities*

In this report, NiSource CEO Joe Hamrock is photographed on the steps of a recently completed **Homeport** home in Columbus, Ohio. Homeport is a private nonprofit organization dedicated to transforming lives by strengthening the home. Since its inception in 1987, Homeport has created a cornerstone of dignity, security and opportunity for thousands of central Ohio residents through quality affordable homes and strong communities. As part of its community engagement, NiSource supports Homeport and hundreds of other nonprofit organizations with financial support and volunteering. Across NiSource's seven states, in 2016 we contributed approximately **\$5.5 million to nonprofit organizations in our communities, including \$1.2 million in giving by the NiSource Charitable Foundation.**

# Our Plan, Our Direction

Our business plan is focused on proactively investing in our utility infrastructure—approximately \$1.6 billion to \$1.8 billion annually through 2020—to ensure we meet and improve upon our customer commitments now and in the decades ahead.

**\$1.09**

2016  
NET OPERATING  
EPS\*

**\$1.02**

2016  
GAAP  
EPS

**\$1.12**  
TO  
**\$1.18**

PER SHARE  
2017  
GUIDANCE\*

**\$1.6B**  
TO  
**\$1.7B**

2017  
CAPITAL  
INVESTMENTS  
PROJECTED

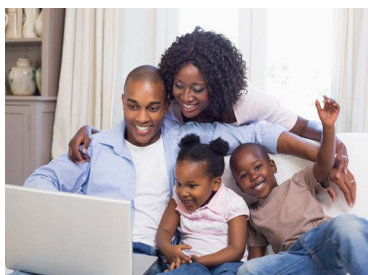
**\$0.70**

PER SHARE  
ANNUAL  
DIVIDEND  
FOR 2017

**5-7%**

ANNUAL EPS\*  
& DIVIDEND  
GROWTH RATE  
THROUGH 2020  
PROJECTED

\*Net operating earnings per share (non-GAAP); for a reconciliation to GAAP, see Schedule 1 on page 20; see also Regulation G statement on inside back cover.



NISOURCE HELPS ENERGIZE THE LIVES OF NEARLY **4 MILLION CUSTOMERS** ACROSS SEVEN STATES. OUR LOCAL UTILITIES ENSURE THAT CUSTOMERS RECEIVE SAFE, RELIABLE AND AFFORDABLE NATURAL GAS AND ELECTRICITY EACH AND EVERY DAY.

## **NISOURCE STAKEHOLDERS:**

I'm pleased to present our first **Integrated Annual Report**. We've combined our **Annual Report to Stockholders** and **Sustainability Report** into a single publication to further demonstrate the integration of our operational, financial and social performance across our well-established business strategy.

This means that in addition to our financial performance, this report focuses on other sustainability issues of importance to our stakeholders. Through the lens of our **Stakeholder Commitments, these highest-ranked areas include safety, reliability, affordability and growth.**

Using these priority areas and others core to our sustained business performance, we



## INVESTMENTS THAT DELIVER SERVICE RELIABILITY

Across NiSource, we are engaged in a robust, multiyear effort to replace existing cast iron and unprotected steel natural gas distribution pipes with modern, state-of-the-art materials, such as advanced plastics and protected steel.

**Over the past nine years, our companies have replaced more than 2,700 miles of priority natural gas distribution pipes, including more than 400 miles in 2016.**

In Indiana, we're also engaged in a long-term effort to modernize our electric systems, as well as overhaul our electric generation fleet to meet our customers' long-term energy needs and improve environmental performance.

**We replaced 60 miles of underground electric cable and more than 1,200 electric poles in 2016.**

These investments, **\$30+ billion of identified long-term opportunities**, enhance the safety and reliability of our energy systems, improve the environment and create shareholder value.



# 406 MILES

PRIORITY PIPE  
REPLACED IN 2016;  
360 MILES IN 2015



# \$1.5B

CAPITAL INVESTMENT IN 2016;  
\$1.37B IN 2015

have identified milestones that our teams are working to achieve.

This past year marked our first full fiscal year of operating exclusively as a regulated utility company, following the separation of our interstate gas transmission, storage and midstream business in July 2015. During the year, we've maintained our focus on enhancing our services and infrastructure to support our customers.

Our operating companies—known best by their local **Columbia Gas** and **NIPSCO** brands—serve nearly 4 million customers, supporting modern living, comfort and economic vitality across our service territories.

As we'll highlight in the coming pages and in the supplemental materials available on our website, we are relentlessly focused on serving our customers in a way that is safe, reliable, environmentally responsible and sustainable, while making it easier to do business with us. At the same time, we're ensuring NiSource is a great place for our employees to work, grow and build a career. By delivering on our commitments and executing in a disciplined, thoughtful manner, we are continuing to build value for all of our stakeholders.

## ENDURING STRENGTH AND FOCUS OF OUR STRATEGY

Since the separation on July 1, 2015, we've delivered a 48 percent total return to



## RAISING THE BAR ON ELECTRIC ENVIRONMENTAL IMPROVEMENTS

Our recently outlined coal unit retirements are **expected to significantly reduce air emissions**, including carbon dioxide, sulfur dioxide, nitrogen oxide and mercury.

While NIPSCO has already significantly reduced these emissions through investments in pollution-control technologies such as flue gas desulfurization and activated carbon injection measures, NIPSCO has projected further environmental improvements as part of the company's electric generation strategy.

## DIVERSIFYING ELECTRIC GENERATION PORTFOLIO



NIPSCO'S GENERATION STRATEGY WILL SIGNIFICANTLY **REDUCE THE PRODUCTION OF COAL ASH AND THE AMOUNT OF WATER WITHDRAWN FROM LOCAL WATER RESOURCES**, SUCH AS LAKE MICHIGAN AND THE KANKAKEE RIVER.

shareholders through February 28, 2017. This included a 6.1 percent dividend increase in January 2017.

In 2016, we grew our business and delivered net operating earnings per share of \$1.09\*, near the upper end of our guidance range for the year, and up 16 percent from 2015. We invested a record \$1.5 billion in capital programs across our

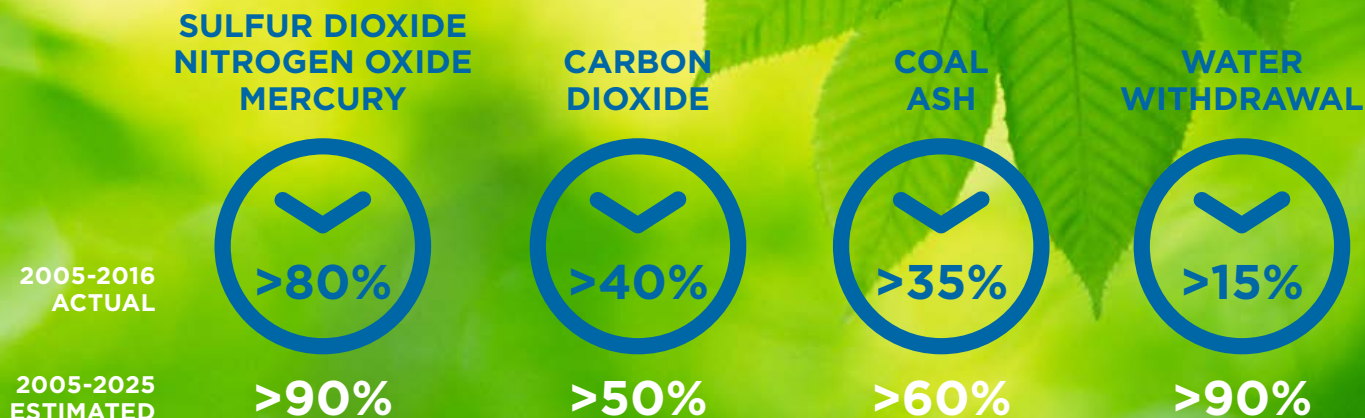
seven states in 2016 to support safety, reliability and environmental improvements. We expect to invest between \$1.6 and \$1.8 billion annually through 2020.

### CREATING VALUE THROUGH CUSTOMER-FOCUSED INVESTMENTS

Our investments are contributing to increased safety and reliability, including a

\*Net operating earnings per share (non-GAAP); for a reconciliation to GAAP, see Schedule 1 on page 20; see also Regulation G statement on inside back cover.

## NIPSCO ELECTRIC GENERATION PAST AND PROJECTED ENVIRONMENTAL IMPROVEMENTS



14 percent reduction in found gas system leaks when compared to 2015.

We also added more than 30,000 new natural gas customers—our highest net customer growth since 2006—as customers are seeing the value of natural gas. Our goal is to build sustainable net customer growth of 1 percent annually by 2020.

In 2016, we committed to further improve the environment through our proactive infrastructure investments and plans to diversify our electric generation portfolio. As a founding member of the United States Environmental Protection Agency's Methane Challenge Program, we expect to reduce methane emissions from our

natural gas systems by 300 million cubic feet over the next five years—equivalent to taking more than 30,000 cars off the road.

And in our NIPSCO Integrated Resource Plan submitted in November 2016, we outlined a plan to retire 50 percent of our coal-fired generating capacity by the end of 2023. We are evaluating the most viable options to meet long-term customer needs, while maintaining our commitment to the well-being of our employees potentially impacted by this change.

### A FOUNDATION OF SAFETY

At the foundation of our business is the safety of and care for our employees, business partners, customers and the





## INDUSTRY-LEADING SAFETY PERFORMANCE

From the employees we hire to the way we park our vehicles, safety and reducing risk serve as the foundation for the way we do business. **We have a fundamental desire to keep our customers, business partners, communities and employees safe.** We partnered with the National Safety Council on a survey to better understand the overall health of our safety culture. The survey results helped us identify various areas of improvement that we'll be implementing in 2017, and we have plans to conduct the survey annually.



OUR GOAL WILL ALWAYS BE **ZERO INCIDENTS**, AND WE'VE SET MILESTONES ON OUR PATH TO BE IN THE **TOP 10 PERCENT OF OUR INDUSTRY IN EMPLOYEE AND CONTRACTOR SAFETY** BY THE END OF 2017.

public. We're continuing to improve our employee and public safety performance through risk reduction and process improvement. Our goal will always be zero incidents, and we've set milestones on our path to be in the top 10 percent of our industry in employee and contractor safety by the end of 2017. While we made progress in 2016 in our three key employee safety metrics, we have more work to do.

And, in the moments when customers need us most, we're responding faster than ever before. In 2016, we began targeting a 45-minute response time for natural gas emergencies, 15 minutes faster than the industry standard. We safely achieved this goal for 96 percent of our emergency orders by taking the necessary steps to ensure our processes, systems and people are as efficient as possible and in the right



**“** *The NiSource Mobile Device Policy aligns with our industry-leading safety commitment.*

*Vehicle collisions, including those involving distracted driving, remain a leading risk we face each day.*

**”**

**DAVE MONTE**

NISOURCE SENIOR VICE PRESIDENT  
SAFETY, ENVIRONMENTAL AND TRAINING



**60 MILLION  
MILES  
DRIVEN EACH YEAR  
IN COMPANY VEHICLES**

#### REDUCING RISK IN ACTION: ELIMINATING MOBILE DEVICE USE WHILE DRIVING

In 2016, we embraced a **new policy that bans the use of mobile devices while driving for work.** We believe our policy change is making a difference, as we've seen a decrease in vehicle collisions and our employees are changing driving behaviors.

| MEASURE                      | 2017 YEAR-END<br>MILESTONE | 2016<br>STATUS | 2015<br>STATUS | CURRENT<br>PERFORMANCE |
|------------------------------|----------------------------|----------------|----------------|------------------------|
| DART RATE*                   | INDUSTRY<br>TOP-DECILE     | 0.82           | 1.03           | TOP<br>QUARTILE        |
| RECORDABLE<br>INJURY RATE    | INDUSTRY<br>TOP-DECILE     | 1.55           | 1.74           | TOP<br>QUARTILE        |
| VEHICLE<br>COLLISION<br>RATE | INDUSTRY<br>TOP-DECILE     | 1.83           | 2.14           | TOP<br>QUARTILE        |

\*DAYS AWAY, RESTRICTED OR TRANSFERRED

place at the right time.

We're also reducing damages to our facilities by educating and building awareness with contractors and other third parties who may be digging around our lines. We increased our efforts in these areas with additional public service announcements, customer outreach and community programs to build public awareness and increase 811 use.

These efforts contributed to a 14 percent decline in system damages in 2016.

#### **SERVING OUR CUSTOMERS AND COMMUNITIES**

At the center of our commitment to serve our customers is our desire to improve their experience and make it easy to do business with us by introducing new services, improving processes and

## ENHANCING CUSTOMER SATISFACTION

Our customers are the center of everything we do. And **we're focused on improving the way we serve our customers** each day by incorporating service industry best practices to meet their needs and expectations. We're fostering a customer-centric culture among employees, enhancing our processes and implementing new technologies to meet customers' changing expectations and drive a top-tier customer experience.

While we have work to do to achieve our goal of being among the top 25 percent of utility companies in customer satisfaction by year-end 2018, we are taking significant steps forward.



| MEASURE                      | MILESTONE                                | 2016 STATUS    | 2015 STATUS     | CURRENT PERFORMANCE           |
|------------------------------|--|----------------|-----------------|-------------------------------|
| CUSTOMER SATISFACTION        | 87%<br>YEAR-END 2017                     | 87%            | 87%             | ON TRACK                      |
| J.D. POWER RESIDENTIAL SCORE | INDUSTRY FIRST QUARTILE<br>YEAR-END 2018 | THIRD QUARTILE | SECOND QUARTILE | IMPROVING WITH INDUSTRY       |
| ON-TIME APPOINTMENT RATE     | 99%<br>YEAR-END 2017                     | 98%            | 97%             | IN LINE WITH INDUSTRY AVERAGE |

continuing our energy efficiency and payment-assistance programs. During the year, we introduced a new bill format across all seven states we serve and launched a redesigned corporate website, a prelude to new sites for all our companies. The design offers quick, simple ways for customers to do business with us and get the information they need.

In 2016, we also kept our appointment times 98 percent of the time. On the energy efficiency front, more than 1 million customers participated in our programs, saving approximately \$12 million while maintaining or even increasing their home's comfort. These programs, which include home energy audits and incentives for energy efficiency



**~1 MILLION**  
CUSTOMERS SERVED BY  
ENERGY EFFICIENCY PROGRAMS



OUR EMPLOYEES ARE **DONATING THEIR TIME** TO MAKE OUR COMMUNITIES BETTER PLACES TO LIVE, WORK AND PLAY. NISOURCE EMPLOYEES VOLUNTEERED APPROXIMATELY **13,500 HOURS** AT LOCAL NONPROFITS IN 2016.

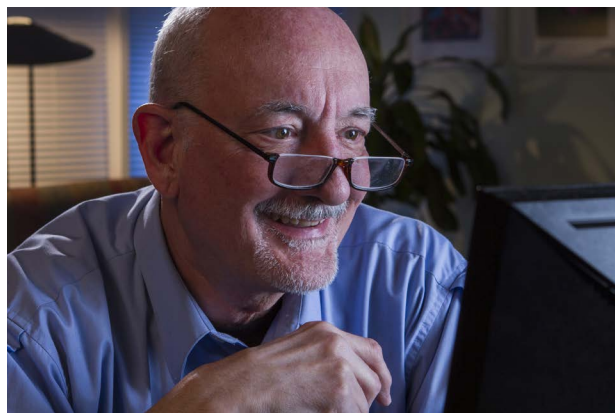
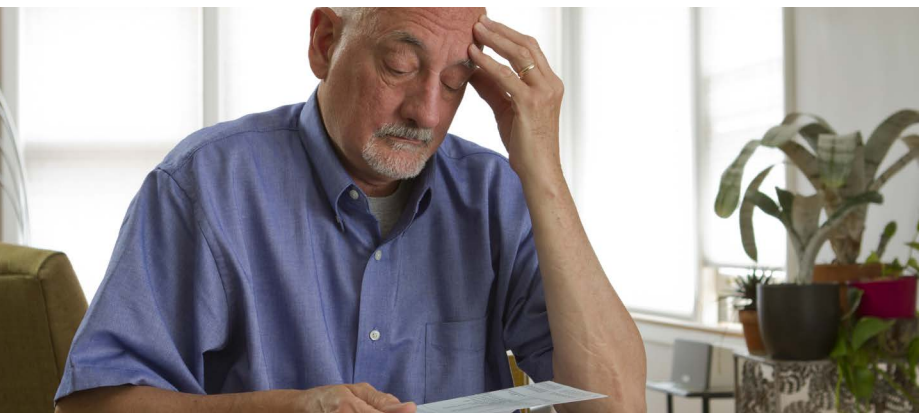
home enhancements, also help to improve environmental performance.

At the same time, our employees are donating their time to make our communities better places to live, work and play, and volunteered more than 13,500 hours at local nonprofits last year. The NiSource Charitable Foundation supports this engagement through its

Dollars for Doers program, which recognizes employee volunteerism hours with charitable donations in the employee's name. This volunteerism generated nearly \$270,000 in donations in 2016.

Across NiSource, giving back is part of our local community commitment, and in 2016 we contributed approximately \$5.5 million to nonprofit organizations—including





## HELPING CUSTOMERS MANAGE ENERGY BILLS

While natural gas costs have remained low and stable and our energy distribution rates remain competitive, we understand that many of our customers have financial situations that could make maintaining their utility service difficult.

For income-qualified customers, **we advocate for support and offer payment assistance programs, home energy checkups and low- or no-cost home weatherization services.** In many cases, we partner with local community agencies to help our customers find solutions.

\$1.2 million by the NiSource Charitable Foundation.

## PROGRESS ON OUR COMMITMENTS, ENHANCING VALUE

We are continuing to execute on our robust regulatory strategy, supporting our infrastructure and customer-focused initiatives. In 2016, working collaboratively with stakeholders, we achieved base rate case settlement approvals in Indiana, Kentucky, Maryland and Pennsylvania. We also reached a base rate case settlement agreement in Virginia in January 2017.

These cases focused on supporting the continued safe, reliable operation of our systems. Many also support customer-growth initiatives, employee training and

various customer programs. Together, these cases represent an increase in annual revenues of more than \$150 million.

In addition to base rate cases, our teams also filed annual tracker updates related to their respective infrastructure modernization programs, including:

- Indiana (NIPSCO Gas): Transmission, Distribution and Storage System Improvement Charge (TDSIC)
- Kentucky: Accelerated Main Replacement Program (AMRP)
- Maryland: Strategic Infrastructure Development and Enhancement (STRIDE)
- Massachusetts: Gas System Enhancement Plan (GSEP)



## GROWING OUR CUSTOMER BASE

For potential customers currently living in areas where natural gas isn't available, **expanding service provides access to an abundant, domestic and environmentally responsible source of fuel.** It can also make areas viable for industrial and commercial development, creating jobs and economic opportunities for the community. Growth also supports the sustainability and affordability of our programs.

We've set an ambitious—but achievable—goal of 1 percent net annual natural gas customer growth by 2020, up from relatively flat to 0.5 percent in recent years. Our growth strategy targets both new construction and conversion opportunities across each of our states.



THE FOUNDATION OF NISOURCE'S BUSINESS STRATEGY REMAINS **~\$30 BILLION OF IDENTIFIED LONG-TERM UTILITY INVESTMENTS**, INCLUDING **~\$20 BILLION OF NATURAL GAS SYSTEM INVESTMENTS** AND **~\$10 BILLION OF ELECTRIC SYSTEM INVESTMENTS.**

- Ohio: Infrastructure Replacement Program (IRP)
- Pennsylvania: Distribution System Improvement Charge (DSIC) or Base Rate Case with Fully Forecasted Test Year
- Virginia: Steps to Advance Virginia's Energy Plan (SAVE)

These regulatory programs are expected to allow us to begin earning on

75 percent of our capital investments in less than 12 months.

## 2017 FOCUS AND FINANCIAL OUTLOOK

In 2017, we'll continue our focus on delivering on our well-established plan, which calls for \$30 billion of identified utility infrastructure investments over 20 years to enhance safety, increase

## RENEWABLE ENERGY

In response to customer interest, NIPSCO offers optional programs aimed at **promoting renewable generation opportunities in northern Indiana**. In addition to contributing to improved environmental performance, these programs help reduce the need for NIPSCO to invest in additional power generation resources as the demand for energy continues to rise.

One of these programs allows customers to generate their own electricity from renewable energy to offset their individual usage each month. Another similar program provides an opportunity for customers to sell back the electricity generated from renewable energy projects.

Another program allows electric customers to designate a percentage of their monthly electric usage to be attributable to power generated by renewable energy sources.



IN 2016, CUSTOMERS GENERATED MORE THAN **107,000 MEGAWATT HOURS** FROM RENEWABLE RESOURCES, AND MORE THAN **358,000 MEGAWATT HOURS** SINCE 2011.

reliability and improve environmental performance, services and overall customer experience.

We'll also build on our efforts to integrate processes and technology across our seven states to better serve our customers and communities.

By delivering on the priorities we've outlined, we expect to achieve net

operating earnings (non-GAAP) of \$1.12 to \$1.18 per share\* in 2017 and project to grow net operating earnings per share\* and our dividend by 5 to 7 percent annually through 2020.

Our credit rating at all three major agencies remains investment-grade with stable outlooks, and we are committed to maintaining solid liquidity and investment-

\*Net operating earnings per share (non-GAAP); for a reconciliation to GAAP, see Schedule I on page 20; see also Regulation G statement on inside back cover.



# Senior Management Team

**JOSEPH HAMROCK** President & Chief Executive Officer

**DONALD BROWN** Executive Vice President & Chief Financial Officer

**CARRIE HIGHTMAN** Executive Vice President & Chief Legal Officer

**MARK KEMPIC** Chief Transformation Officer

**CARL LEVANDER** Executive Vice President, Regulatory Policy & Corporate Affairs

**VIOLET SISTOVARIS** Executive Vice President & President, NIPSCO

**JIM STANLEY** Executive Vice President & Chief Operating Officer

**PABLO VEGAS** Executive Vice President & President, Columbia Gas Group

**SUZANNE SURFACE** Vice President, Audit

**SENIOR MANAGEMENT TEAM WORKFORCE STATS** (AS OF MARCH 1, 2017)

9 TOTAL: 6 MEN (67%) | 3 WOMEN (33%) | 2 MINORITIES (22%)



## Additional Metrics and Data

Our **Sustainability Scorecard** highlights the key metrics and milestones we track regarding the company's priorities and stakeholder materiality. The **Supplemental Sustainability Data** includes more detail, including historical measurements, on additional sustainability metrics commonly tracked and requested by individual stakeholders. These supporting materials and **Global Reporting Initiative (GRI) Table** are [available at NiSource.com](https://www.nisource.com).

grade credit. In fact, Fitch Ratings upgraded its NiSource rating to BBB from BBB- during the year.

I hope you'll agree that NiSource has a strong foundation for continued growth, and that we're building a company with a sustainable future for the benefit of our customers, our communities, our employees, our shareholders and all of our stakeholders.

Thank you for your continued support, investment and interest in NiSource.

Sincerely,

Joe Hamrock  
President and CEO  
NiSource Inc.



# OUR EMPLOYEES

ARE ACTIVELY ENGAGED IN THE  
COMMUNITIES WE'RE  
PRIVILEGED TO SERVE, MAKING  
THEM GREAT PLACES TO LIVE  
AND CALL HOME



~8,000  
EMPLOYEES IN 2016

## RECOGNIZED AMONG THE BEST PLACES TO WORK IN OUR COMMUNITIES

Being **recognized as a best place to work** doesn't come easily. It's only possible with a strong culture that respects individuality while fostering collaboration, rewards performance and provides the tools and resources our employees need to build a career.

In 2016, our companies were recognized nationally and regionally:

- NiSource was the **second-highest ranked utility on *Forbes* magazine's list of America's Best Large Employers** in 2016.
- For the fourth consecutive year, *Columbus Business First* named **Columbia Gas of Ohio a "Best Place to Work"**—ranked among the top 10 extra-large companies in central Ohio. The company was also named a **Top Workplace in Toledo** by the *Toledo Blade*.
- **Columbia Gas of Virginia was recognized as one of the Best Places to Work in the Richmond area** during the Society of Human Resources Management's Sterling Workplace Award program. The company also was designated a **Veterans' Values Company** by the Commonwealth of Virginia.
- For the third consecutive year, NiSource was **named to the Dow Jones Sustainability Index-North America**.
- Since 2012, NiSource has been annually **named a World's Most Ethical Company by the Ethisphere Institute**.



## FIELD TRAINING CENTERS

A key step on our journey to modernizing our training practices was opening our first Columbia Gas field operations training center in Monaca, Pennsylvania. This \$10 million modern, centralized facility is the first of four training centers that will be built across NiSource by the end of 2018. Each training center will feature **state-of-the-art equipment for hands-on training in controlled, safe environments.**

## ENGAGING EMPLOYEES

Engaged employees are more committed and provide better service to our customers. We measure employee engagement through our annual employee survey. We review the survey results with employees to hear their ideas and share ways we can work together to address areas of concern. Overall, employees ranked NiSource with 78 percent favorability in 2016. Top survey highlights include: safety (90%), total engagement (87%) and proud to work at NiSource (88%).

## Workforce Stats

AS OF DECEMBER 31, 2016

### TOTAL EMPLOYEES

7,987 TOTAL: 5,752 MEN (72%) | 2,235 WOMEN (28%) | 1,126 MINORITIES (14%)

### TOTAL MANAGEMENT (MANAGER & ABOVE)

723 TOTAL: 514 MEN (71%) | 209 WOMEN (29%) | 78 MINORITIES (11%)

## FOSTERING GROWTH AND DEVELOPMENT OF DIVERSE TALENT

Our success depends on being open to new ways of thinking that can make us a better community partner and a stronger company. Through our four-part Inclusion & Diversity (I&D) strategy, we're strengthening our culture that enables all of our employees to contribute to their fullest potential by:

1. **Enabling local I&D councils and Employee Resource Groups to support development opportunities, and create cultural awareness, community engagement and networking opportunities.**

By focusing on key priorities like safety, customer service and recruiting, these groups are making a strong business impact.





## GENERATIONS

7,987 TOTAL

53 TRADITIONALISTS 1925-1948 (1%) | 2,676 BABY BOOMERS 1949-1964 (34%)

2,146 GENERATION X 1965-1976 (27%) | 3,112 MILLENNIALS/GEN Y 1977-PRESENT (39%)

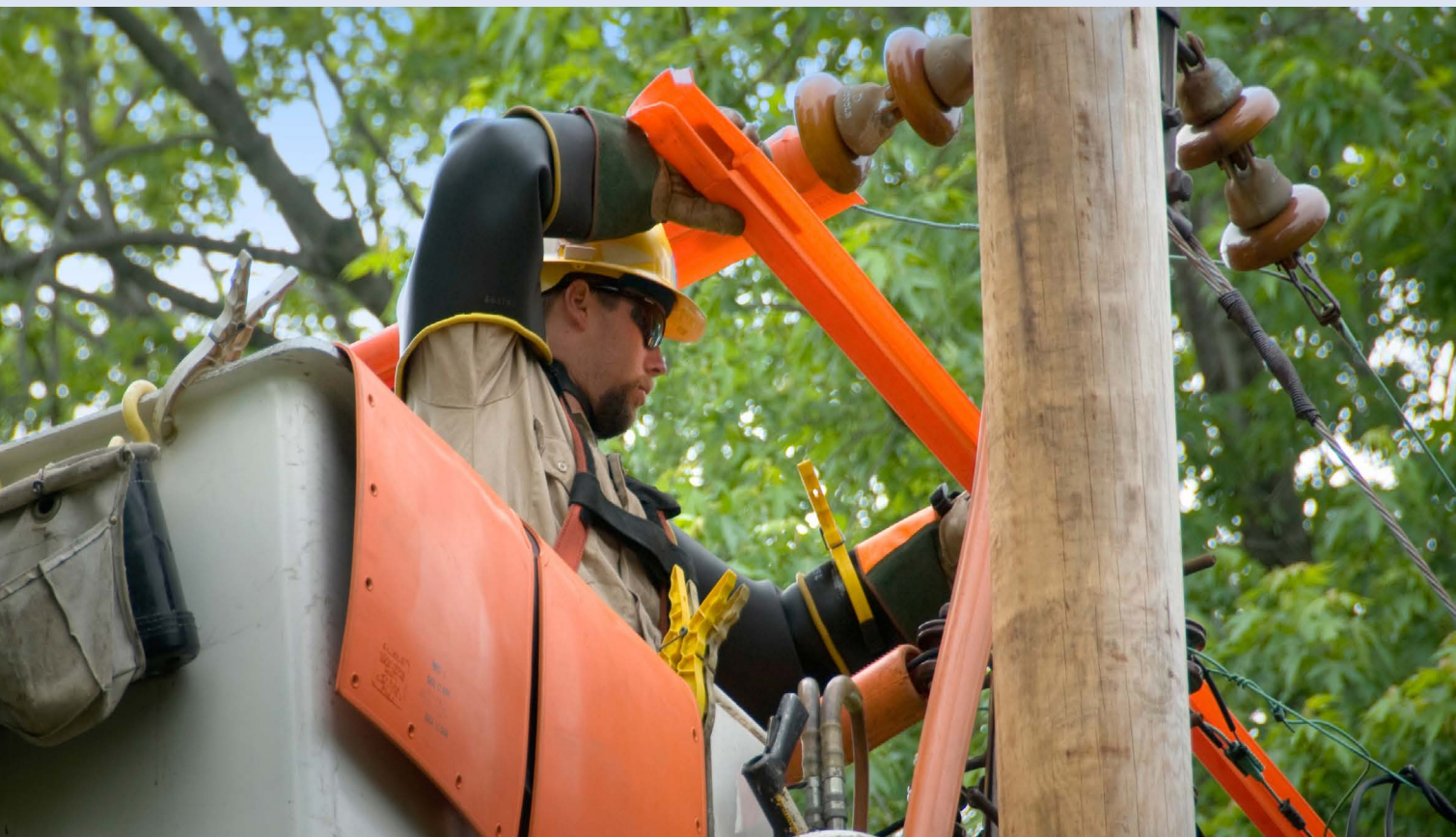
### 2. **Building an environment where inclusiveness is a priority.**

To measure our progress, we developed an “Inclusive Index” as part of our annual employee survey. In 2016, we provided Inclusive Leadership training to more than 70 senior leaders, and it was offered to all managers and above. Delivery continues into 2017 with a goal to have all managers experience this vital learning.

### 3. **Accelerating the development of our diverse workforce.**

Through expanded mentoring and targeted development programs for traditionally underrepresented groups, we’re building unique talent development opportunities.

### 4. **Enhancing efforts to diversify our candidate pools through targeted recruitment, strategic college relationships, diverse recruiting events and community partnerships.**



## *Letter from the Chairman*

### **A BALANCED, SUSTAINABLE BUSINESS STRATEGY**

#### **NISOURCE STAKEHOLDERS:**

In my 2015 letter, I noted the Board of Directors' confidence that NiSource was well positioned to unlock the full potential of its investment opportunity and deliver additional value for our customers and shareholders. With 2016—our first fiscal year operating exclusively as a regulated utility company—behind us, it's clear that our confidence was well placed and the stage is set to further enhance the company's plans.

As Joe notes in his letter, the NiSource team executed on a record level of utility modernization investments and a significant regulatory agenda. These initiatives are improving the safety, reliability and environmental performance of our systems, while delivering on our customers' evolving expectations.

In the past year, NiSource welcomed to the Board two new members—Wayne DeVeydt and Peter Altabef. Wayne, a former Chief Financial Officer with Anthem Inc., brings a strong



# Board of Directors

**RICHARD L. THOMPSON** Chairman of the Board, NiSource Inc.

**RICHARD A. ABDOO** Retired Chairman & CEO, Wisconsin Energy Corporation

**PETER A. ALTABEF** President & CEO, Unisys Corporation

**ARISTIDES S. CANDRIS** Retired President & CEO, Westinghouse

**WAYNE S. DEVEYDT** Former Executive Vice President & CFO, Anthem, Inc.

**JOSEPH HAMROCK** President & CEO, NiSource Inc.

**DEBORAH A. HENRETTA** Retired Group President, Procter & Gamble Co.

**MICHAEL E. JESANIS** Retired President & CEO, National Grid USA

**KEVIN T. KABAT** Retired Vice Chairman & CEO, Fifth Third Bancorp

**CAROLYN Y. WOO** Retired President & CEO, Catholic Relief Services

## **BOARD OF DIRECTORS WORKFORCE STATS** (AS OF MARCH 1, 2017)

10 TOTAL: 8 MEN (80%) | 2 WOMEN (20%) | 2 MINORITIES (20%)

complement of financial and leadership acumen to our already experienced Board. Peter, currently president and CEO at Unisys Corp., has led some of the world's premier information technology companies and brings both overall corporate leadership experience and cybersecurity expertise.

As this Integrated Annual Report illustrates, NiSource's balanced business strategy is one that's built to last and provides benefits to all stakeholders.

With the Board's support and engagement, we will continue to represent your interests as Joe and his team remain focused on disciplined execution of the company's long-term customer-focused investment plan.

Sincerely,



Rich Thompson  
Chairman of the Board  
NiSource Inc.







Schedule 1 - Reconciliation of Consolidated Net Operating Earnings (Non-GAAP) to  
Income from Continuing Operations *(unaudited)*

| <i>(in millions, except per share amounts)</i>                  | Twelve Months Ended<br>December 31, |                 |
|---|-------------------------------------|-----------------|
|   | 2016                                | 2015            |
| <b>Net Operating Earnings (Non-GAAP)</b>                        | <b>\$ 351.2</b>                     | <b>\$ 298.8</b> |
| <b>Items Excluded from Operating Earnings:</b>                  |                                     |                 |
| <b>Net Revenues:</b>  |                                     |                 |
| Weather - compared to normal                                    | (12.4)                              | (15.6)          |
| <b>Operating Expenses:</b>                                      |                                     |                 |
| Plant retirement costs <sup>(1)</sup>                           | (22.1)                              | —               |
| Environmental costs <sup>(2)</sup>                              | —                                   | (10.7)          |
| Transaction costs <sup>(3)</sup>                                | (2.5)                               | (4.3)           |
| Gain (loss) on sale of assets and impairments, net              | 1.0                                 | (1.6)           |
| Total items excluded from operating earnings                    | (36.0)                              | (32.2)          |
| <b>Other Income (Deductions):</b>                               |                                     |                 |
| Loss on early extinguishment of long-term debt                  | —                                   | (97.2)          |
| <b>Income Taxes:</b>  |                                     |                 |
| Income taxes - discrete items                                   | —                                   | (17.8)          |
| Tax effect of above items                                       | 12.9                                | 47.0            |
| Total items excluded from net operating earnings                | (23.1)                              | (100.2)         |
| <b>GAAP Income from Continuing Operations</b>                   | <b>\$ 328.1</b>                     | <b>\$ 198.6</b> |
| <b>Basic Average Common Shares Outstanding</b>                  | <b>321.8</b>                        | <b>317.7</b>    |
| <b>Non-GAAP Basic Net Operating Earnings Per Share</b>          | <b>\$ 1.09</b>                      | <b>\$ 0.94</b>  |
| Items excluded from net operating earnings (after-tax)          | (0.07)                              | (0.31)          |
| <b>GAAP Basic Earnings Per Share from Continuing Operations</b> | <b>\$ 1.02</b>                      | <b>\$ 0.63</b>  |

(1) Represents costs incurred associated with the planned retirement of Units 7 and 8 at Bailly Generating Station. Includes costs for contract termination, employee severance and write downs of materials and supplies inventory balances.

(2) Represents costs incurred for liability adjustments at identified Superfund sites.

(3) Represents costs incurred associated with the Separation of CPG.

# Stockholder Information

## FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of federal securities laws. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. Examples of forward-looking statements include, but are not limited to, statements concerning NiSource's plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, and any and all underlying assumptions and other statements that are other than statements of historical fact. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially. 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; pension funding obligations; economic regulation and the impact of regulatory rate reviews; NiSource's ability to obtain expected financial or regulatory outcomes; any damage to NiSource's reputation; compliance with environmental laws and the costs of associated liabilities; fluctuations in demand from residential and commercial customers; economic conditions of certain industries; the success of NIPSCO's electric generation strategy; the price of energy commodities and related transportation costs; the reliability of customers and suppliers to fulfill their payment and contractual obligations; potential impairments of goodwill or definite-lived intangible assets; changes in taxation and accounting principles; potential incidents and other operating risks associated with our business; the impact of an aging infrastructure; the impact of climate change; potential cyber-attacks; construction risks and natural gas costs and supply risks; extreme weather conditions; the attraction and retention of a qualified workforce; advances in technology; the ability of NiSource's subsidiaries to generate cash; uncertainties related to the expected benefits of the separation of Columbia Pipeline Group Inc. 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, 2016, and in other filings with the Securities and Exchange Commission.

All forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statements. NiSource undertakes no obligation to, and expressly disclaims any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events or changes to the future results over time or otherwise, except as required by law.

## REGULATION G DISCLOSURE STATEMENT

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

NiSource Inc. common stock is listed and traded on the New York Stock Exchange ("NYSE") under the symbol NI. The shares are listed in financial stock quotations as NISOURCE. As of December 31, 2016, NiSource had 22,597 registered common stockholders.

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## ANTICIPATED DIVIDEND RECORD & PAYMENT DATES - NI COMMON STOCK

| RECORD DATE | PAYMENT DATE |
|-------------|--------------|
| 04/28/17    | 05/19/17     |
| 07/31/17    | 08/18/17     |
| 10/31/17    | 11/20/17     |
| 02/09/18    | 02/20/18     |

## COMMON STOCK DIVIDEND DECLARED

On February 17, 2017, the company paid a quarterly dividend of \$0.175 per share, equivalent to \$0.70 per share on an annual basis.

## INVESTOR & FINANCIAL INFORMATION

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

Copies of NiSource's financial reports are available by writing or calling the Investor Relations department at the address or phone number listed above. The materials are also available at [NiSource.com](http://NiSource.com).

## STOCKHOLDER SERVICES

Questions about stockholder accounts, stock certificates, transfer of shares, dividend payments, automatic dividend reinvestment and stock purchase plan, and electronic deposit may be directed to Computershare at the following:

### Computershare

P. O. Box 30170  
College Station, Texas 77842-3170  
or  
211 Quality Circle, Suite 210  
College Station, Texas 77845

(888) 884-7790

TDD for Hearing Impaired: (800) 231-5469

Foreign Stockholders: (201) 680-6578

TDD Foreign Stockholders: (201) 680-6610

[computershare.com/investor](http://computershare.com/investor)



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