

2012 NISOURCE
SUSTAINABILITY
REPORT

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 DIVIDEND FOR THE FIRST TIME IN MORE THAN 10 YEARS.
- ENVIRONMENTAL INVESTMENTS IN PROGRESS WILL REDUCE SULFUR DIOXIDE EMISSIONS BY 95 PERCENT.
- 82 PERCENT OF EMPLOYEES WOULD RECOMMEND NISOURCE AS A GOOD PLACE TO WORK.
- 88 PERCENT OF CUSTOMERS STATED WE MET OR EXCEEDED THEIR EXPECTATIONS.



**Dow Jones
Sustainability Indexes**
Member 2012/13

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A MESSAGE FROM OUR PRESIDENT & CEO

FELLOW STAKEHOLDERS:

On behalf of the more than 8,000 NiSource team members, I'm pleased to present our 2012 Sustainability Report.

At NiSource, our aspiration is to be the **premier company in our industry**, providing customer-focused energy solutions, investment-driven growth opportunities, and sustainable value for our customers, investors and employees. Underpinning this effort is our unwavering commitment to top-tier safety and reliability, collaborative stakeholder relationships, inclusive and engaging work environments, strong governance and transparency, and forward-looking environmental practices and stewardship.

Our team continues to make meaningful progress toward that vision via a balanced, forward-looking strategy that includes long-term modernization of our energy assets, improvements in customer programs and services, strong stakeholder engagement and community involvement.

NiSource's **Sustainability Policy and Strategy** directly influence many of the key elements of our business plan and take into consideration internal and external influences. The Sustainability Strategy – formally adopted with review by the Board of Directors in January 2013 and fully supported by our team – defines key corporate-wide initiatives in the areas of:

- Environmental Stewardship
- Strong, Growing Communities
- Customer-Focused Energy Solutions
- Safe, Skilled and Engaged Teams
- Shareholder Value

Our 2012 Sustainability Report documents our progress across each of these dimensions. I believe you will see that our ability to execute on the NiSource strategy – combined with strong engagement and communication with you, our stakeholders – will enable us to establish a



ROBERT C. SKAGGS, JR.
PRESIDENT & CEO

BUILDING LONG-TERM SUSTAINABLE GROWTH



legacy of sustained environmental stewardship, economic growth and social responsibility truly reflective of a premier energy company.

Thank you for your continued support and engagement as we move forward.



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

NISOURCE'S SUSTAINABILITY STRATEGY



| | 2012 PROGRESS | 2013 FOCUS |
|--|---------------|---|
| <p>ENVIRONMENTAL STEWARDSHIP</p> <ul style="list-style-type: none"> • Build and maintain a modern and clean energy infrastructure. • Reduce our environmental footprint through pollution prevention and reduction programs. • Implement innovative environmental conservation approaches. | | <p>UNPRECEDENTED INVESTMENT IN TECHNOLOGY TO SIGNIFICANTLY REDUCE EMISSIONS</p> |
| <p>STRONG, GROWING COMMUNITIES</p> <ul style="list-style-type: none"> • 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. | | <p>\$1.8B CAPITAL INVESTMENT CREATES JOBS & IS FOCUSED ON MODERNIZATION, RELIABILITY & SAFETY</p> |
| <p>CUSTOMER-FOCUSED ENERGY SOLUTIONS</p> <ul style="list-style-type: none"> • 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. | | <p>ENSURE AFFORDABILITY & ACCESS; INTRODUCE MODERN EFFICIENCY PROGRAMS</p> |
| <p>SAFE, SKILLED AND ENGAGED TEAMS</p> <ul style="list-style-type: none"> • 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. | | <p>FURTHER EMBED INCLUSION & DIVERSITY INTO THE NISOURCE CULTURE</p> |
| <p>SHAREHOLDER VALUE</p> <ul style="list-style-type: none"> • 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. | | <p>DELIVER ON 2013 EARNINGS OUTLOOK; NAMED A WORLD'S MOST ETHICAL COMPANY</p> |

— Progress below management's outlook for year

 — Progress in line with management's outlook for year

 — Progress exceeded management's outlook for year

 — Progress significantly exceeded management's outlook for year

ENVIRONMENTAL STEWARDSHIP



OUR FGD EQUIPMENT
INSTALLATIONS WILL REDUCE
SULFUR DIOXIDE EMISSIONS BY
MORE THAN 95 PERCENT.

SUSTAINABILITY DIMENSION: ENVIRONMENTAL STEWARDSHIP

STRATEGY

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

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

One of our largest investments is the clean air installations taking place at our coal-fired electric generation facilities in northern Indiana, where we are investing more than \$850 million in our facilities to reduce emissions. In addition to the environmental benefits this investment, creates local jobs and fosters related economic development.

Our largest investment is the construction of Flue Gas Desulfurization (FGD) equipment at our R.M. Schahfer Generating Station. FGDs use state-of-the-art technology to remove sulfur dioxide from emissions resulting from the generation of electricity. The construction is on schedule and on budget. One of the units will be placed into service by the end of 2013, with the second unit coming online by the end of 2014.

ENVIRONMENTAL STEWARDSHIP

The Schahfer FGD equipment will help reduce sulfur dioxide emissions from those units by more than 95 percent. A similar project, which also includes the installation of a fabric filter bag house for collecting scrubber byproducts and particulate emissions, is underway at our Michigan City Generating Station. In addition to reducing sulfur dioxide emissions, particulates and mercury emissions also will be reduced.

As part of NiSource’s overall environmental investment, Northern Indiana Public Service Company (NIPSCO) has developed and begun the implementation of a compliance plan to meet the EPA’s Mercury and Air Toxics Standard (MATS). In addition to the emissions reduced by the FGD installations, all of the company’s electric generation facilities will install additional pollution control equipment. The plan incorporates the upgrade of electrostatic precipitators, which reduce particulate matter emissions, as well as the installation of activated carbon injection and fuel additive systems that control mercury emissions.

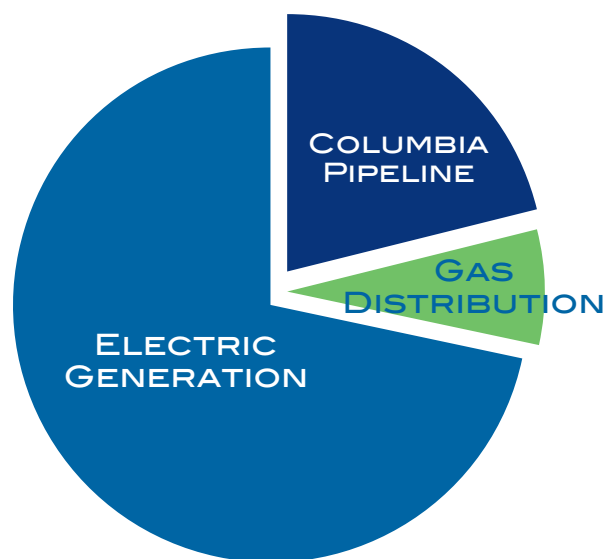
GREENHOUSE GAS REDUCTION

The NiSource Board of Directors’ Environmental Health and Safety Committee reviewed and approved NiSource’s Climate Change Policy in 2009. We are committed to managing, documenting and reporting our greenhouse gas (GHG) footprint. To that end, NiSource recently published its newest Greenhouse Gas Report, which is available online 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 seven percent. We are working to establish the next-generation GHG emission reduction goal for the company.

We continue to improve our processes to manage GHG emissions and will identify and pursue innovative projects that aid in reducing the GHG emissions of our operations through customer initiatives and other programs.

PRIMARY DIRECT
GHG EMISSIONS
(CO2 EQ TONNES)



ENVIRONMENTAL STEWARDSHIP

NISOURCE
EXCEEDED
ITS GHG
REDUCTION
GOAL



THE GREEN POWER PROGRAM
AT NIPSCO ALLOWS CUSTOMERS
TO PURCHASE ELECTRICITY
FROM RENEWABLE SOURCES.

For example, NIPSCO is undertaking a large investment in new electric transmission infrastructure. Two projects, described further in the “Communities” section of this report, are part of a larger strategy to increase the access of renewable energy to power markets through the Midwest. They are estimated to enable the delivery of 41 million megawatt hours of renewable energy – enough to power more than three million homes per year.

Columbia Pipeline Group (CPG) has developed an industry-leading program to reduce GHG emissions and now certifies these reductions through the voluntary Carbon Standard.

In total, we’ve invested more than \$20 million to install state-of-the-art catalysts on our compressor engines. CPG also is implementing a \$4-5 billion program to modernize its Columbia Gas Transmission system. This complements NiSource’s other energy infrastructure modernization activities, which in total will reach more than \$25 billion over the next two decades. By replacing and upgrading our infrastructure, we will further reduce our GHG emissions over time.

On the customer front, we’ve implemented and continued a variety of programs that help customers save money on utility bills and reduce GHG emissions. The Green Power Program is one example of an innovative energy program available to our Indiana electric customers. This voluntary program offers customers the option to purchase a portion or all of their electricity from renewable energy resources. We will provide updates on the progress of this program in subsequent reports.

Other customer programs receiving a significant amount of interest and aiding in reducing our GHG footprint are our Net Metering and Feed-in Tariff programs. These two programs promote further renewable generation opportunities by allowing customers to generate their own electricity via renewable resources and sell it back

ENVIRONMENTAL STEWARDSHIP

to NIPSCO or reduce their overall bill through a credit. In addition, these programs help slow the need to invest in additional power resources as demand continues to rise.

Between the Net Metering and Feed-in Tariff programs, more than 17 megawatts of renewable energy has been installed.

PRESERVING WATER RESOURCES

While NIPSCO operates in an area with abundant fresh water resources, 2012 was a year of severe drought conditions and resulted in a re-evaluation of our current water usage. We recognize the need to maintain water 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 for electric generation is the highest.

At all of our coal-fired generating stations, NIPSCO has a comprehensive mercury pollution prevention and minimization plan in place that has reduced mercury discharges in the water.

In 2012, work continued on a \$25 million state-of-the-art wastewater treatment plant with advanced mercury controls at our R.M. Schahfer Generating Station. A significant cost was avoided by refurbishing an unused wastewater treatment plant at the site, which eliminated the need for new construction. The treatment plant will improve water quality in the Kankakee River and manage the wastewater streams from the FGD equipment currently under construction. In addition, the FGD investment at our Michigan City Generating Station involves installing an innovative dry scrubber system, which will avoid discharges into Lake Michigan.

ENVIRONMENTAL COMMUNITY OUTREACH

Our employees play a significant role in helping our communities better understand NiSource's environmental profile. They also participate in projects to help improve our natural resources.



NIPSCO'S NET METERING
AND FEED-IN TARIFF
PROGRAMS HAVE ADDED
MORE THAN 17 MEGAWATTS
OF RENEWABLE ENERGY.

ENVIRONMENTAL STEWARDSHIP

2012 WATER USAGE

| GENERATING STATION | GAL. CONSUMED* | MWH | GAL./MWH |
|--------------------|----------------|------------|----------|
| MICHIGAN CITY | 1,889 | 2,513,510 | 752 |
| BAILLY | 229 | 2,101,993 | 109 |
| R.M. SCHAFFER | 2,855 | 6,690,390 | 427 |
| SUGAR CREEK | 622 | 3,215,690 | 193 |
| TOTAL | 5,595 | 14,521,583 | 385 |

* MILLION GALLONS



NISOURCE ENVIRONMENTAL ACTION TEAM

Our Indiana-based, employee-led NiSource Environmental Action Team (NEAT) participated in four significant projects in 2012.

NEAT spent hours clearing a beach area in Michigan City, Ind., that surrounds the company's Michigan City Generating Station. The clean-up led to a total collection of 3,500 pounds of debris.

Other projects included:

- A bicycle drive with Working Bike Cooperative, which helped find new life for landfill-bound bicycles.
- An emergency vegetation planting at Mount Baldy in the Indiana Dunes National Lakeshore to help prevent erosion caused by a major storm.
- A work day at Stewart House Urban Farm & Garden, where NEAT helped build a walking path. In addition to the hands-on help from NEAT, the project was awarded a \$15,000 grant from the company and community.

REMEDIATION

Since the 1980's, NiSource's legacy hazardous waste sites have been addressed using a variety of technologies to remove, isolate or destroy contaminants during the cleanup process. The goal of environmental cleanup is protection of human health and the environment. In recent years, an increasing emphasis has been put on beneficial reuse and sustainable development of properties that have undergone cleanup. NiSource is looking at a more holistic approach to site cleanup where the development and selection of a remedial approach considers "green" and sustainable characteristics of a proposed cleanup.

The Environmental Protection Agency defines "green remediation" as the practice of considering all environmental effects of remedy implementation and incorporating options to minimize the environmental impacts (also known as the environmental footprint) of the cleanup. Sustainable remediation also considers

ENVIRONMENTAL STEWARDSHIP

practices that balance economic growth, protection of the environment and the public, and societal benefits. These practices include waste minimization, energy conservation, water conservation, and waste/material reuse and recycling, enhancement of ecosystems, and reduction of GHG emissions.

Examples of these greener evaluations employed at NiSource sites include:

- We are remediating a former manufactured gas plant in Springfield, Mass. Columbia Gas of Massachusetts took a holistic approach to determine remediation options and compared the environmental benefits of each option to its carbon footprint. This process demonstrated that sediment capping would have a more positive environmental benefit than large-scale dredging.
- On another former manufactured gas plant site, NiSource is using a technique to limit soil removal to preserve mature trees in a wetland bordering a river. This approach allows a substantial number of mature trees to remain, thereby saving the wetland from a cycle of total destruction and regeneration.
- Some of our compressor stations along our pipeline contain various levels of polychlorinated biphenyl (PCBs) from compressed air systems. During decontamination, we are using technologies to remediate the PCBs that minimize waste generation. For example, dry ice blasting is used to minimize the volume of media necessary to remove paint. After removing paint, dry ice evaporates and leaves paint chips behind, thus eliminating the need to dispose of tons of sandblast media and the fuel to transport it to a landfill. Similarly, we are decontaminating large equipment in a way that it can be recycled and/or reused rather than disposed of in a landfill.



ENVIRONMENTAL MITIGATION PROJECTS UPDATE

WE ARE CONTINUING TO BUILD A CLEANER TOMORROW BY INVESTING MORE THAN \$9 MILLION IN PROGRAMS OUTSIDE OF OUR NORMAL BUSINESS OPERATIONS TO IMPROVE THE ENVIRONMENT. AS PART OF AN AGREEMENT WITH THE ENVIRONMENTAL PROTECTION AGENCY, WE ARE ACTIVELY WORKING WITH STATE AND FEDERAL AGENCIES, AS WELL AS LOCAL ENVIRONMENTAL GROUPS, TO IMPLEMENT THESE PROJECTS. THE PROJECTS INCLUDE A PLUG-IN ELECTRIC VEHICLE INFRASTRUCTURE, WOOD-BURNING STOVE CHANGE OUT, LAND ACQUISITION AND RESTORATION, AND CLEAN DIESEL RETROFIT PROGRAMS. THESE PROJECTS ARE PART OF A REQUIREMENT TO RESOLVE ALLEGATIONS THAT NIPSCO VIOLATED THE CLEAN AIR ACT.

ENVIRONMENTAL STEWARDSHIP



"THE NEW BUILDING WILL BE STATE-OF-THE-ART IN TERMS OF ENVIRONMENTAL STANDARDS AND HEALTH AND SAFETY FEATURES. AND, BECAUSE OF THE ADVANCED TECHNOLOGY AND DESIGN, WE WILL BE ABLE TO OPERATE THE NEW FACILITY MORE EFFICIENTLY AND COST EFFECTIVELY, WITH MORE USEABLE SQUARE FOOTAGE THAN OUR PRESENT BUILDING. THAT'S A WIN FOR THE COMPANY, OUR EMPLOYEES, OUR CUSTOMERS AND THE ENVIRONMENT."

COLUMBIA GAS OF OHIO
PRESIDENT JACK PARTRIDGE

LEED CERTIFICATION IN COLUMBUS, OH

In 2011, NiSource announced it would relocate its offices in Columbus, Ohio, to a new Columbus location in 2014. The project's development plan calls for the construction of two, six-story office buildings connected on the top four floors. Columbia Gas of Ohio and NiSource Corporate Services will serve as the anchor tenants, occupying approximately 246,000 square feet of the more than 275,000 square feet of new office space.

Safety is a main priority in the planning of the new facility. The project's planning team is identifying ways to enhance health and safety for employees, visitors and the general public.

The buildings will be designed and constructed with a focus on sustainable practices, conservation of resources and energy efficiency. Interior spaces will prioritize employees' well-being, safety and health. The building's developer is pursuing LEED Silver (Leadership in Energy and Environmental Design) certification on the core and shell of the building, while NiSource is pursuing LEED Gold in the interior space.

LEED is a voluntary, consensus-based, market-driven program that provides third-party verification of green buildings and addresses the entire lifecycle of a building. LEED-certified buildings are designed to:

- Lower operating costs and increase asset value.
- Reduce waste sent to landfills.
- Conserve energy and water.
- Be healthier and safer for occupants.
- Reduce harmful greenhouse gas emissions.
- Qualify for tax rebates, zoning allowances and other incentives.

Additional environmental data tables can be found at the back of this report.

ENVIRONMENTAL STEWARDSHIP



DONATIONS SUPPORT ENVIRONMENTAL PROGRAMS



VARIOUS COMPONENTS OF NISOURCE'S CHARITABLE GIVING RELATE TO ENVIRONMENTAL INITIATIVES.

FOR EXAMPLE, \$75,000 IN DONATIONS SUPPORTED VARIOUS OHIO-BASED ORGANIZATIONS, INCLUDING:

\$25,000 DONATED TO THE OHIO DEPARTMENT OF NATURAL RESOURCES TO SUPPORT STATE FOREST CONSERVATION AND EDUCATION PROGRAMS.

\$50,000 ALLOCATED TO FRIENDS OF THE PARK TO EXTEND THE LITTLE BEAVER CREEK GREENWAY PROJECT IN COLUMBIANA COUNTY.



PRESERVING ENDANGERED SPECIES



IN PREVIOUS REPORTS, WE OUTLINED OUR HABITAT CONSERVATION PLAN (HCP), WHICH IS AN EFFECTIVE WAY TO COMPLY PROACTIVELY WITH THE ENDANGERED SPECIES ACT (ESA). WE EXPECT A DECISION ON THE NISOURCE HCP FROM THE U.S. FISH & WILDLIFE SERVICE IN 2013. UPDATES CAN BE FOUND AT WWW.NISOURCE.COM/HCP.



SUPPORTING STRONG, GROWING COMMUNITIES

CHARITABLE GIVING

| | MILLIONS OF DOLLARS |
|------|---------------------|
| 2010 | \$4.8 |
| 2011 | \$5.5 |
| 2012 | \$6.8 |

INCREASED COMMUNITY ENGAGEMENT THROUGH SOCIAL MEDIA

IN ADDITION TO THE EXISTING NIPSCO AND COLUMBIA GAS OF VIRGINIA FACEBOOK PAGES, COLUMBIA PIPELINE GROUP LAUNCHED ITS OWN FACEBOOK PAGE IN 2012.

NIPSCO AND COLUMBIA GAS OF OHIO ALSO LAUNCHED TWITTER FEEDS IN 2012. NIPSCO'S TWITTER FEED IS USED TO COMMUNICATE OUTAGE AND EMERGENCY INFORMATION.

ADDITIONAL USES OF SOCIAL MEDIA WILL SUPPORT COMMUNICATIONS SURROUNDING SIGNIFICANT INFRASTRUCTURE PROJECTS IN 2013.

SUSTAINABILITY DIMENSION:
SUPPORTING STRONG,
GROWING COMMUNITIES

STRATEGY

- Partner with local agencies to enhance community vitality and growth through economic development and charitable giving programs.
- 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.

At NiSource, we value the trust our communities place in us. That's why as a company and as individuals, we strive to make a meaningful contribution to the well-being of the communities in which we live and work. We touch these local communities through partnerships and constructive dialogue, economic and infrastructure development, and charitable giving and employee volunteerism.

Each and every day, NiSource is interacting with our stakeholders, including customers, landowners, community groups and environmental groups, as well as federal, state and local agencies, among many others. We make it a priority to engage in a two-way dialogue on topics like safety, the environment, energy security, economic impact and energy efficiency.

COMMUNITY INVESTMENT

In 2012, NiSource and our team members provided more than \$6.8 million in donations to local, regional and national non-profit organizations. These contributions spanned our service area and engaged hundreds of employees and community stakeholders.

SUPPORTING STRONG, GROWING COMMUNITIES

HIGHLIGHTS FROM ACROSS NISOURCE

Boys and Girls Clubs

Representatives of northern Indiana Boys & Girls Clubs were presented with a \$100,000 check from NIPSCO in October 2012. Employees raised nearly the entire sum through various employee fundraisers. The funds will be used to help create a positive environment for youth to learn, develop and grow across the 32 counties served by NIPSCO. Employees held raffles, picnics, cookouts, a golf outing and a car wash to raise funds. They also volunteered to make the facilities more useful and inviting. In addition, NIPSCO announced a \$1 million donation in support of the Boys & Girls Clubs of Northwest Indiana's Tolleston project, the largest company donation to date. That donation will turn a school that is no longer in use into a state-of-the-art Boys & Girls Club.

Holiday Toys

In December, Columbia Pipeline Group (CPG) employees across our footprint celebrated the holidays and gave back to the community. In an effort to continue the tradition of giving during the holiday season, the Houston office held a toy drive for the Toys for Tots Foundation. More than 100 toys were collected during the party. Employees in Houston also presented the foundation with a \$5,000 donation. Toys for Tots works to provide a message of hope and compassion to underprivileged children, and to make a difference in a child's holiday experience. NiSource Midstream Services (NMS) in Butler County, Pa., also collected toys and money to donate to the Toys for Tots campaign in conjunction with Associated Pipeline Contractors. Several other NiSource operations also supported Toys for Tots in 2012.

CPG's Gas Control organization has held a toy drive for 27 years. Every year, Gas Control partners with a local charitable organization, the Mustard Seed, to help make food baskets that are delivered with the donated toys. In December 2012, toys and gifts again lined the hallways of the Charleston, W.Va. building waiting to be delivered to families in the Charleston area. Employee volunteers loaded and distributed the toys and more than 400 food baskets. CPG also made a \$5,000 donation to the Mustard Seed.



NIPSCO DONATED MORE THAN \$1 MILLION TO THE BOYS & GIRLS CLUBS OF NORTHWEST INDIANA



CPG EMPLOYEES HAVE COLLECTED GIFTS FOR NEEDY FAMILIES FOR NEARLY 30 YEARS

SUPPORTING STRONG, GROWING COMMUNITIES

**United Way**

During 2012, Columbia Gas of Pennsylvania (CPA) and Maryland (CMD) employees raised more than \$90,000 for the United Way and participated in local Days of Caring.

Columbia Gas of Ohio (COH) continued its employee-driven campaign in support of the United Way via 37 individual campaigns. In total, approximately \$600,000 was donated to United Way chapters in Ohio through employee and company contributions, and the NiSource Charitable Foundation.

In early 2013, CPG kicked-off Super Bowl weekend in Houston by partnering with the United Way of Greater Houston to coordinate a community service event. In total, \$1,200 was raised and hundreds of canned goods were collected.

NIPSCO was the overall sponsor, as well as a participant, when 1,100 volunteers took part in the 20th annual United Way of Allen County Day of Caring on Aug. 1. Teams from more than 60 businesses, organizations and unions worked on more than 70 service projects throughout the Fort Wayne, Ind., area.

Other Community Involvement

In 2012, 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 who keep us all safe, and celebrate the diversity within our communities.

For example, CGV and the NiSource Charitable Foundation made a \$15,000 grant to The United States Army Women's Museum at Fort Lee. The contribution supports educational programs offered by the museum to public schools in the area, which focus on the contributions made by women to the history of the U.S. military and our country. The museum highlights these advancements by telling the stories of remarkable women who have made contributions to the U.S. military in every period since the Revolutionary War. More than

SUPPORTING STRONG, GROWING COMMUNITIES

10,000 elementary, middle and high school students from area schools take advantage of the living history programs offered by the museum each year, and the grant will underwrite the continuation and expansion of those important programs.

NIPSCO and Ivy Tech Community College have had an educational partnership since 2008. Ivy Tech offers courses and degrees to increase awareness of industry careers and provide skills and knowledge needed to gain full-time employment in the electrical and natural gas industries. Students in the program learn from many training instructors who work at NIPSCO’s La Porte Training Center and also teach classes in the Ivy Tech program.

Career development certificates are available in industrial technology with specialties in electric line construction, power plant technology and natural gas technology. Students who complete one of the energy certification programs and pass the pre-employment test are guaranteed an interview with NIPSCO when they apply for an available entry-level position.

In early 2012, CGV sponsored the groundbreaking exhibit “RACE – Are We So Different?” hosted by the Science Museum of Virginia. CGV provided a \$10,000 grant to the Science Museum of Virginia in part to cover the field trip expense so that more than 300 area students could experience the exhibit.

INFRASTRUCTURE PROJECTS AND ECONOMIC DEVELOPMENT

NiSource’s business strategy is centered on the modernization of its energy infrastructure, which results in a safer and more reliable system, in addition to creating significant economic benefits.

In 2012, NiSource outlined an enhanced long-term growth strategy, centered around an inventory of more than \$25 billion in infrastructure modernization and growth investment opportunities.

RECOGNITION OF OTHERS

IN 2012, NIPSCO INTRODUCED THE LUMINARY AWARDS TO HONOR LOCAL LEADERS WHO HAVE ACTED WITH INTEGRITY, FAITH AND CONFIDENCE ON BEHALF OF THE COMMUNITY, AS WELL AS SERVED AS A CATALYST FOR THE CREATION OF POSITIVE LEADERSHIP IN INDIANA.

INDIVIDUALS AND ORGANIZATIONS WERE NOMINATED BY MEMBERS OF NIPSCO’S COMMUNITY ADVISORY PANELS IN THE AREAS OF EDUCATION, ENVIRONMENT, EMERGENCY RESPONSE AND EXCELLENCE IN COMMUNITY LEADERSHIP. NIPSCO HONORED WINNERS AT A RECEPTION AND ALSO MADE A \$1,000 CONTRIBUTION TO EACH AWARD WINNER’S CHARITY OF CHOICE.

2012 LUMINARY AWARDS RECIPIENTS

COMMUNITY LEADERSHIP AWARD
INDIANA STATE REPRESENTATIVE
CHESTER DOBIS

EMERGENCY RESPONSE AWARD
RETIRED FIRE CHIEF
HOWARD BUCHANON AND MEMBERS OF
THE SOUTH BEND FIRE DEPARTMENT

EDUCATION AWARD
CHANCELLOR JAMES DWORKIN
PURDUE UNIVERSITY NORTH CENTRAL

ENVIRONMENTAL STEWARDSHIP AWARD
MAYOR KEITH SOLDERQUIST
LAKE STATION

SUPPORTING STRONG, GROWING COMMUNITIES



IN APRIL 2012, U.S. SECRETARY OF TRANSPORTATION RAY LAHOOD RECOGNIZED NISOURCE'S PIPELINE INFRASTRUCTURE MODERNIZATION AND REPLACEMENT INVESTMENT PLANS AT AN EVENT IN PITTSBURGH, PA. – PROMOTING DOMESTIC ENERGY RELIABILITY, ECONOMIC DEVELOPMENT AND SAFETY.

IN 2012, NISOURCE OUTLINED MORE THAN \$25 BILLION IN PLANNED INVESTMENTS

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

One example is Columbia Gas Transmission's landmark Modernization Program. Columbia Transmission received Federal Energy Regulatory Commission (FERC) approval for a modernization program that addresses pipeline and system upgrades; improves public safety, customer reliability and service; and provides economic benefits to communities. Under the settlement, Columbia will invest approximately \$300 million per year, in addition to a \$100 million investment in ongoing maintenance, over the 2013 through 2017 period. More than 7,000 direct jobs are expected to be created as a result of the program.

The long-term infrastructure investment plan could involve an investment of approximately \$4-5 billion over an extended period and includes:

- Replacing Aging Infrastructure – commencing the replacement of approximately 1,000 miles of existing interstate transmission pipelines with 400 miles planned for replacement in the first five years.
- Upgrading Natural Gas Compression Systems – replacing and modernizing more than 50 critical compressor units along the pipeline system that will enhance system efficiency and improve environmental performance.
- Increasing Pipeline System Reliability – uprating pressures and looping systems where needed to ensure that gas is reliably delivered to critical markets.
- Expanding In-Line Inspection Capabilities – facilitating Columbia's ability to perform state-of-the-art maintenance and inspections without interrupting gas transmission services.

SUPPORTING STRONG, GROWING COMMUNITIES

Another example is NIPSCO's significant investment in new electric transmission infrastructure. In 2012, we initiated two electric transmission projects that are part of a multi-state effort to strengthen the electric transmission system serving the Midwest. The two projects, involving an investment of more than \$500 million over the next five-to-seven years, will create jobs, enhance system reliability, offer environmental benefits and improve access to lower-cost electricity. Public input is a critical component of these projects. To this end, the company will host several public open houses in 2013 to solicit input on the project route, answer questions and address concerns.

Benefits of the projects include:

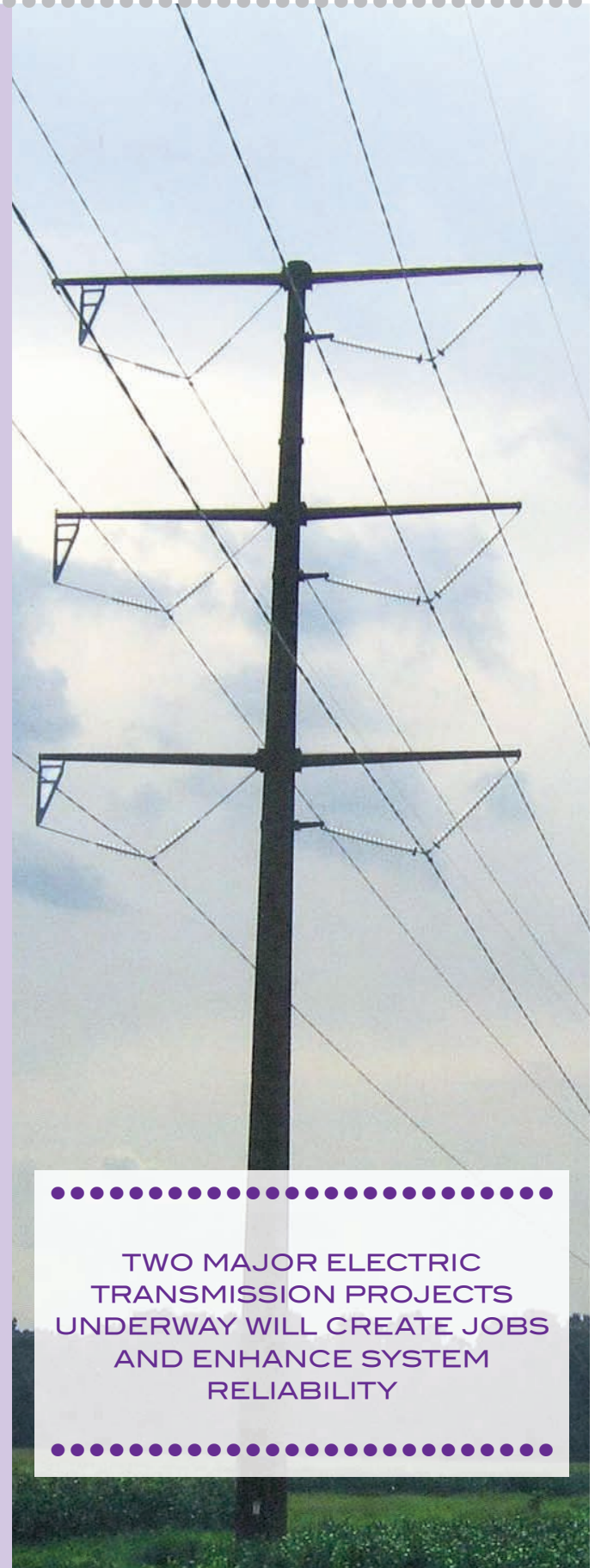
- Creating new jobs and business for local suppliers.
- Increasing property taxes paid to local governments by NIPSCO.
- Improving the overall reliability of our electric system.
- Providing anticipated cost savings to customers from access to lower-cost energy.
- Improving access to wind and solar renewable energy sources that reduce greenhouse gases.

STAKEHOLDER INVOLVEMENT

Working with our stakeholders, including residents, landowners, community groups, customers, FERC and other federal, state and local agencies, NiSource makes it a priority to engage in conversations that matter across our operations.

We continue to increase awareness of the environmental, energy security and economic benefits of investing in natural gas infrastructure through conversations in the communities where we operate, our trade associations and our employee ambassadors who tell the NiSource story and history.

One example of a significant stakeholder initiative was the switch to term billing in Pennsylvania, affecting all customers. In early 2012, CPA changed from volumetric billing conversion to term billing to improve how customers are billed. They are now billed for the amount



TWO MAJOR ELECTRIC
TRANSMISSION PROJECTS
UNDERWAY WILL CREATE JOBS
AND ENHANCE SYSTEM
RELIABILITY

SUPPORTING STRONG, GROWING COMMUNITIES

CREATING JOBS

IN 2012, OUR ECONOMIC DEVELOPMENT TEAM IN INDIANA HELPED TO ATTRACT 16 COMPANIES, RESULTING IN A COMMUNITY INVESTMENT OF \$600 MILLION AND THE CREATION OF 1,000 LOCAL JOBS.

OVER THE PAST DECADE, OUR INDIANA ECONOMIC DEVELOPMENT INVESTMENT HAS RESULTED IN THE CREATION OR EXPANSION OF 100 LOCAL BUSINESSES AND THE CREATION OF ABOUT 10,000 NEW LOCAL JOBS.

NISOURCE
INVESTED
APPROXIMATELY
\$1.5 MILLION IN
PUBLIC
AWARENESS
ACTIVITIES

of energy (therms) provided by the natural gas consumed instead of the volume (Ccf) consumed.

Over the past few years, CPA noticed new geographic variations in natural gas energy content. As the company continued to monitor the energy value of the gas, it became apparent that these variations were here to stay. The volumetric billing practice was converted to therm billing to ensure that customer bills continued to be fair and equitable no matter where they lived in the state.

Through an integrated marketing communications campaign, CPA informed its customers about the benefits of converting to therm billing, including:

- Maintaining fair and equitable bills for all customers because bills will be based upon the value of the energy. Until this conversion, when Columbia billed based on the volume of gas a customer consumed, two customers could use the same energy but be billed differently. Now customers will be billed for the energy consumed.
- Aligning the way customers are billed with the same way Columbia purchases gas in the marketplace (in therms).
- Clearly demonstrating the energy savings of appliances, as EnergyGuide and Energy Star labels appearing on household gas appliances are based in therms. This change will make it easier for customers to compare appliances.

Public Awareness Program

It's important to NiSource to raise stakeholders' awareness of the presence of the company's facilities in their communities and increase their understanding of our pipelines' role in transporting energy.

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 are committed to developing and implementing a program that meets or exceeds federal requirements,

SUPPORTING STRONG, GROWING COMMUNITIES

including the guidelines set forth in the public awareness programs for pipeline operators. NiSource companies invested approximately \$1.5 million in public awareness activities during 2012.

This program is designed to communicate with the public, local officials, emergency officials and excavators. Increasing public awareness about the presence and purpose of our facilities helps prevent accidents, while helping the public understand its significant role in helping to prevent accidents that are caused by third-party damage and right of way encroachment.

While pipelines are the safest form of energy transportation, pipeline incidents are possible regardless of safety, monitoring and maintenance measures employed by the company. That's because the most common cause of pipeline incidents is third-party damage.

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.

The company's Public Awareness Steering Team supports the implementation of this program and includes:

- **Operations:** Primarily responsible for implementing local face-to-face communication and emergency responder components and for responding to pipeline location requests that come through the state One-Call notification system.
- **Integrity Management:** Assists with interpretation and compliance with applicable laws and regulations and develops company policies, plans and procedures to comply with regulations.
- **Communications & Government Relations:** Develops communications materials, maintains the program website, and provides counsel and support for internal and external organizations.



SUPPORTING NEIGHBORS IN NEED

WHILE SUPERSTORM SANDY BATTERED THE EAST COAST WITH 80-MPH WINDS AND 13-FOOT OCEAN SURGES IN LATE OCTOBER 2012, MORE THAN 120 EMPLOYEES PREPARED TO HEAD EAST TO SUPPORT UTILITIES HIT BY SANDY.

EIGHTY NIPSCO EMPLOYEES AND MORE THAN 40 COLUMBIA GAS EMPLOYEES HELPED RESTORE ELECTRICITY AND NATURAL GAS SERVICE. LINEMEN, CONSTRUCTION COORDINATORS, SERVICE TECHNICIANS AND OTHERS VOLUNTEERED DESPITE KNOWING DAYS WOULD BE LONG, CONDITIONS TOUGH AND HOLIDAY ACTIVITIES WITH FAMILY AND FRIENDS WOULD BE PUT ON HOLD.

OUR PIPELINE GROUP ALSO DONATED \$25,000 TO SUPPORT THE EFFORTS OF THE AMERICAN RED CROSS.

SUPPORTING STRONG, GROWING COMMUNITIES



A SEMI-SIZED REMINDER TO CALL BEFORE YOU DIG

DAMAGE TO FACILITIES IS THE GREATEST RISK THAT PIPELINES FACE IN REGARD TO THE SAFETY OF EMPLOYEES, EXCAVATORS WORKING AROUND FACILITIES AND THE COMMUNITIES WHERE THEY ARE LOCATED. DAMAGE THAT OCCURS DUE TO NOT CALLING BEFORE DIGGING ACCOUNTS FOR APPROXIMATELY 40 PERCENT OF ALL UNDERGROUND DAMAGES.

REMEMBER TO CALL 811 BEFORE YOU DIG.

Building Awareness for Call Before You Dig Both the month of April, National Safe Digging Month, and August 11, National 811 Safe Digging Day, serve as reminders to call 811 before digging. Employees, residents and contractors are encouraged to call 811 prior to any digging project to have underground utility lines marked. When calling 811, homeowners and contractors are connected to the local one-call center, which notifies the appropriate utility companies of the intent to dig. Professional locators are then sent to the proposed digging site to mark the approximate locations of underground lines with flags, spray paint or both – at no cost.

In March 2012, CMD employees at the Western Maryland Home Show at the Allegany County Fairgrounds provided information on 811 and utility damage prevention, in addition to promoting the benefits of clean natural gas. An endeavor of the Home Builders Association of Western Maryland, the show features homeowners, contractors and builders gathering to learn about the newest services and products available.

CGV sponsored the National Night Out in Manassas Park, one of its Steps to Advance Virginia's Energy project communities, by demonstrating safety equipment; talking to residents about its infrastructure replacement projects, pipeline safety and energy efficiency; and distributing 811 information to children and their parents.

CPG employees in Delhi, La. participated in a 4-H Safety Day at Delhi Elementary School that consisted of various booths staffed with professionals who discussed safety topics with students. They also showed a children's video on pipeline safety and explained the pipeline markers that children may see in their yards or local neighborhoods.

SUPPORTING STRONG, GROWING COMMUNITIES

PIPELINE SAFETY

NiSource's investment in energy infrastructure modernization is particularly important given the growing public focus on pipeline safety. Although our companies have strong and well-established safety records, several recent industry incidents – including one involving our Columbia Gas of Massachusetts utility and one involving a Columbia Gas Transmission pipeline in West Virginia – serve to underscore the critical importance of pipeline safety and validate NiSource's infrastructure modernization strategy.

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

The resulting "Call to Action" issued by U.S. Department of Transportation Secretary Ray LaHood challenges all interstate pipeline operators to develop a comprehensive effort to improve the safety and reliability of pipeline systems. In January 2013, CPG participated in a U.S. Senate Committee on Commerce, Science and Transportation discussion on the current state of pipeline safety.



PROVIDING CUSTOMER-FOCUSED ENERGY SOLUTIONS



CUSTOMER SATISFACTION

WE TRACK CUSTOMER SATISFACTION INTERNALLY AS WELL AS THROUGH THIRD-PARTY RESEARCH SERVICES. IN 2012, 88 PERCENT OF CUSTOMERS STATED THAT WE MET OR EXCEEDED THEIR EXPECTATIONS IN A RECENT INTERACTION, WHICH IS CONSISTENT WITH 2011 AND 2010 SATISFACTION LEVELS.

SUSTAINABILITY DIMENSION: PROVIDING CUSTOMER- FOCUSED ENERGY SOLUTIONS

STRATEGY

- 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.

Across our businesses, NiSource provides a product and service that is critical to the needs of everyday life – energy. We are in business because our customers have this need, and it is our responsibility to ensure that we are doing what we can to deliver on our customers’ expectations, including delivering safe, reliable and affordable energy each and every day. To that end, across our businesses we are identifying ways to improve customer service and convenience, provide tools to manage energy use and lower bills, and invest in modern infrastructure, which together serve our customers and other constituents on a sustainable long-term basis.

HELPING CUSTOMERS MANAGE ENERGY USE, LOWER BILLS

Across NiSource, we’ve implemented a variety of programs that help our more than 3.8 million 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. As we develop these programs, the input of various stakeholder groups is encouraged to make sure we’re delivering the greatest value to our local constituents.

PROVIDING CUSTOMER-FOCUSED ENERGY SOLUTIONS

In 2012, customers saved 885,000 cubic feet of natural gas, which translates to \$4.2 million saved through our natural gas energy efficiency programs. That's enough energy to heat 10,500 homes for a year.

In particular, our electric energy efficiency programs at NIPSCO have come a long way to deliver value to our customers. Just a few years ago, NIPSCO's electric customers had no energy efficiency program choices available to them. Now, customers have access to a variety of programs, including air conditioner cycling, energy efficiency appliance rebates, appliance recycling, weatherization and home energy assessments. These programs complement the variety of programs already in place for NIPSCO gas customers.

In 2012, NIPSCO's electric efficiency programs saved customers more than 105 million kilowatt hours in energy and 52,236 kilowatts in demand.

ENERGY EFFICIENCY IN ACTION

When Baystate Medical Center in Springfield, Mass., a level-one trauma center operated by Baystate Health, wanted to lower its energy consumption, it turned to Columbia Gas of Massachusetts (CMA) for guidance. The result is a partnership between CMA and the academic, research and teaching hospital for Tufts University School of Medicine; a partnership that continues to make energy efficiency the "first fuel" of Massachusetts.

CMA helped fund a survey of Baystate Medical Center's outpatient facility, a four-story, 105,000 square foot building constructed in 1998. CMA worked with Baystate Health to prioritize the findings and recommended a series of cost-effective, energy efficiency solutions. Based on CMA's recommendations, Baystate Health replaced two inefficient boilers and controls with three new HydroTherm boilers. The total cost of the project was \$572,000. CMA contributed \$100,000 in rebates. This one energy-efficient measure alone is expected to save Baystate Health more than \$66,000 per year in energy costs.

**\$4.2 MILLION
SAVED
THROUGH
NATURAL GAS
ENERGY
EFFICIENCY
PROGRAMS**

PROVIDING CUSTOMER-FOCUSED ENERGY SOLUTIONS

Baystate Health

ENERGY EFFICIENCY
INVESTMENTS ARE EXPECTED TO
SAVE BAYSTATE HEALTH MORE
THAN \$66,000 PER YEAR IN
ENERGY COSTS.

CMA CONTRIBUTED \$100,000 IN
REBATES TO ASSIST WITH THE
INVESTMENT.

Antonio Braz, manager of mechanical, electrical and plumbing infrastructure facilities at Baystate Health put the project into perspective.

“Columbia Gas is a wonderful partner,” said Braz. “The incentives we receive from Columbia Gas on top of the dollar savings we see in operating costs each year help us put more funding toward patient care and helping our community.”

There is still more work to do. CMA and Baystate Health continue to meet every month to discuss future projects and energy efficiency goals.

Additional information about each NiSource utility’s energy efficiency programs can be found on their individual websites. Links are available in the “Our Companies” section of www.nisource.com.

In addition to our energy efficiency programs, NiSource’s E-bill paperless billing and online payment methods help conserve natural resources, as well as save time and money. Each year, NiSource companies encourage people to sign up for the service during a spring outreach and charity campaign. During the most recent campaign, more than 12,000 new customers signed up for E-bill, which resulted in a \$125,000 contribution by NiSource companies to the American Red Cross. More than 390,000 customers are currently enrolled in E-bill.

HELPING CUSTOMERS IN NEED

NiSource’s commitment to our customers does not end with our energy efficiency programs and maintaining affordable rates. While the general economy is showing signs of improvement, recovery is slow in many of NiSource’s service territories and the number of customers in need remains high. We believe it is critical to leverage our community partnerships and provide the assistance to those who need it most.

PROVIDING CUSTOMER-FOCUSED ENERGY SOLUTIONS

The Low Income Home Energy Assistance Program (LIHEAP) was created by Congress to help low-income households. This critical program provides funding to help natural gas customers who struggle with home energy bills, especially during times of extreme weather. In February 2012, NiSource joined other utilities, local community action agencies and consumer advocates to take part in LIHEAP Action Day on Capitol Hill in Washington, D.C.

Together, nearly 200 participants stressed the need for sustained funding. While funding for the LIHEAP program has declined since 2011, advocacy efforts are an important step to ensure that the program remains available for our most vulnerable customers.

In total, NiSource distributed approximately \$56 million LIHEAP funds during the 2011/2012 period.

Complementary to our LIHEAP commitment, we also participate in HeatShare, which is funded solely by NiSource’s gas distribution companies and our customers. This program provides emergency energy assistance to customers who have exhausted all state and federal assistance. In 2012, together with our customers, we raised more than \$1.4 million for customers in need. Every dollar raised is administered by Dollar Energy Fund, a non-profit organization dedicated to improving the quality of life for households experiencing hardships.

As part of NiSource’s community commitments, much of the support the company provides to local charitable organizations also supports customers and communities in need. More about these efforts can be found in the “Communities” section of this report.



LIHEAP ACTION DAY

JOINED BY OTHER UTILITIES AND CONSUMER ADVOCATES, NISOURCE STRESSED THE NEED FOR SUSTAINED HEATING ASSISTANCE FUNDING IN WASHINGTON D.C.

PROVIDING CUSTOMER-FOCUSED ENERGY SOLUTIONS



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IMPROVING CUSTOMER SERVICE WITH CRM

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OUR DISTRIBUTION COMPANIES IMPLEMENTED A CUSTOMER RELATIONSHIP MANAGEMENT (CRM) SYSTEM THAT PROVIDES A FULL SUITE OF CAPABILITIES DESIGNED TO BUILD STRONGER CUSTOMER RELATIONSHIPS. LAUNCHED IN LATE 2012, THE COMPANY AND ITS CUSTOMERS ARE ALREADY REALIZING THESE BENEFITS:

INCREASED MARKETING AND REPORTING CAPABILITIES

THE EMAIL CHANNEL HAS BEEN USED TO PROMOTE E-BILL, MOBILE WEB AND ENERGY EFFICIENCY PROGRAMS; PROVIDE CUSTOMERS WITH UPDATES ON PIPELINE REPLACEMENT PROJECTS; AND ALERT VICTIMS OF NATURAL DISASTERS TO THE AVAILABILITY OF DISASTER RELIEF FUNDS.

BETTER CUSTOMER RELATIONSHIPS

TRACKING AND ANALYZING ADDITIONAL CUSTOMER DATA ENABLES US TO QUICKLY AND ACCURATELY ADDRESS CUSTOMER NEEDS.

LESS PAPER, MORE TREES

THE CRM SYSTEM IS CONSISTENT WITH OUR GOAL TO INVEST IN INITIATIVES THAT REDUCE OUR ENVIRONMENTAL IMPACTS. INFORMATION ONCE TRACKED ON PAPER IS NOW MANAGED IN CRM.

ADDITIONAL CRM APPLICATIONS AND IMPROVEMENTS ARE BEING IMPLEMENTED ACROSS NISOURCE.

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PROVIDING CUSTOMER-FOCUSED ENERGY SOLUTIONS

COLLABORATING WITH CUSTOMERS

Listening to customers and other stakeholders is at the heart of everything we do. For example, in 2012, we launched a number of new technologies and resources based on what we heard from several customer focus group sessions.

Mobile Websites

Customers expect to be able to do business with us through mobile websites using their smartphones and tablets. In 2012, we launched mobile websites with our customers in mind.

Our mobile website strategy was simple: build the best possible experience for our customers using a customer-centered design strategy. Customers were surveyed to define top features they wanted to see in a mobile experience. Their feedback drove the scope of what we developed and offered.

During the design phase, we invited customers to participate in several usability sessions. Each customer was given a series of typical transactions to complete using a mobile website mockup. Tracking cameras even captured customer eye movement across the screen. These sessions resulted in valuable feedback that led to the final, award-winning product:

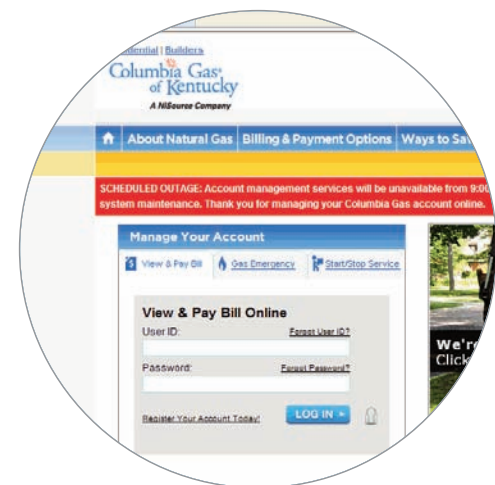
- 2012 Chartwell Certificate of Excellence for Mobile Online Experience – Chartwell
- 2012 Innovator Recognition for Storm Outage Map – Society of Innovators
- 2012 Innovator Recognition for Streetlight Outage Map – Society of Innovators
- 2012 Best-in-Class Mobile Web Solution Honor – American Gas Association

Redesign of Company Websites

We also improved the customer experience on our company websites using a similar customer-centric design strategy. Combining website analytics and customer feedback, we redesigned our companies' homepages, improved website navigation, refreshed all

“YOU CAN TELL THAT THIS HOMEPAGE WAS DESIGNED FOR WHAT THE END USER WANTS TO DO.”

CUSTOMER FEEDBACK
CAPTURED FROM WEBSITE
FOCUS GROUPS



COLUMBIA GAS OF KENTUCKY
WEBSITE

PROVIDING CUSTOMER-FOCUSED ENERGY SOLUTIONS

AUTOMATED METER READING UPDATE

AS NOTED IN PREVIOUS REPORTS, AUTOMATED METER READING (AMR) DEVICES ENABLE OUR COMPANIES TO OBTAIN ACCURATE METER READINGS REMOTELY, WHICH ELIMINATES ESTIMATED BILLING AND THE SOURCE OF MANY CUSTOMER COMPLAINTS. NISOURCE'S GAS UTILITIES HAVE BEEN REPLACING MANUAL-READ METERS WITH AMR DEVICES OVER THE LAST FIVE YEARS. BY YEAR-END 2012, AMR DEVICES WERE INSTALLED IN MORE THAN 70 PERCENT OF OUR GAS COMPANY METERS. IN 2013, NIPSCO BEGAN ROLLING OUT ITS AMR PROGRAM. A \$90 MILLION INVESTMENT, THE DEVICES WILL BE INSTALLED ON ALL 900,000 GAS AND ELECTRIC METERS BY 2016. THE TECHNOLOGY WILL ALLOW A METER READER TO COLLECT APPROXIMATELY 6,300 READINGS IN FOUR HOURS, COMPARED TO 300 READINGS NOW.

content and added new features, including the ability for customers to login from the home page. Designs were tested with several customer focus groups that offered valuable feedback and validated the enhancements.

More Convenience With Additional Walk-In Payment Locations

When customers told us they also want the ability to pay their bill in person, we took action. In 2012, several of our companies expanded the network of authorized payment locations to include most Walmart and Kmart stores, regional grocery store chains, pharmacies and other retail and service stores.

These additional walk-in payment locations give our customers, especially those who are located in rural communities, the convenience of paying their bill while running errands, as well as the ability to pay a bill immediately to avoid service disconnection.

DELIVERING ON INTERSTATE PIPELINE CUSTOMER NEEDS

Our Columbia Pipeline Group (CPG) knows the importance of collaborating with its customers on new and proposed projects.

Each significant project proposed by the company must go through a thorough vetting process with customers, regulators and various other constituents before moving forward.

A good example of this collaboration is the West Side Expansion project. Due to changing supply and demand dynamics in the natural gas industry, there is a significant need to move gas from the Marcellus and Utica Shale supply basins to end-use customers. This required extensive collaboration with our customers on their immediate and long-term natural gas transportation needs.

PROVIDING CUSTOMER-FOCUSED ENERGY SOLUTIONS

In order to enhance communication and collaboration with our customers, CPG recently reintroduced its in-person customer meetings. More than 100 customers attended the October 2012 meeting, which followed a similar meeting in May 2012. At the meetings, customers had the chance to hear about the company's strategy and business initiatives, network with other industry professionals, and consult with CPG leaders and customer service representatives. Customers also received one-on-one, hands-on training on a variety of related topics.

Also in 2012, CPG created a Customer Advisory Council, which was developed as a direct response to the feedback received from customer focus groups. The 25-member council represents various CPG customer companies and spans the country. The Council, which meets regularly throughout the year, serves as a critical resource in identifying how best to meet and exceed our customers' expectations.

CPG CUSTOMER COMMENTS

"SINCE OUR LAST SHIPPER MEETING, YOU GUYS HAVE MADE SIGNIFICANT PROGRESS. I SENSE A REAL COMMITMENT TO CUSTOMER SERVICE AND YOU ARE REALLY DEVELOPING A TEAM ATMOSPHERE AMONGST THE CPG EMPLOYEES."

"THE SHIPPER MEETING WAS AWESOME! THE PRESENTATIONS WERE VERY INFORMATIVE FROM BOTH COMMERCIAL AND OPERATIONAL PERSPECTIVES. I LEARNED A FEW THINGS AT THE TRAINING SESSION AS WELL."

PROVIDING CUSTOMER-FOCUSED ENERGY SOLUTIONS

THE COLUMBIA
PIPELINE GROUP
CUSTOMER MISSION

TO REGAIN OUR POSITION AS THE
INDUSTRY LEADER IN CUSTOMER
SERVICE WITH A COMMITMENT TO:

- R**ELATIONSHIPS
- E**XECUTION OF NEW
PROJECTS AND SERVICES
- S**AFETY
- U**NPARALLELED VALUE
- L**EADING CUSTOMER AND
INDUSTRY INITIATIVES
- T**IMELY COMMUNICATION
- S**OLUTIONS FOR
CUSTOMERS



BUILDING SAFE, SKILLED AND ENGAGED TEAMS

SUSTAINABILITY DIMENSION:
BUILDING SAFE, SKILLED AND
ENGAGED TEAMS

STRATEGY

- 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.

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 continued improvement. Engaged, aligned and safe employees are key to creating long-term value for our customers, shareholders and employees.

SAFETY FIRST

In 2012, we continued to sharpen our focus on safety in order to achieve our goal to attain top decile in safety performance by 2015.

To do so, we have instituted a number of initiatives aimed at engraining a “Safety First” mentality across the company, from expanding training and educational resources to increasing best practice sharing across the company. Accomplishments include:

- Instituted a **Safety Rewards Program** to recognize employees for working safely every day.
- Launched **Safety sites on the NiSource intranet** to provide employees with a useful source for health, safety and environmental related topics, documents, presentations, training materials, statistics and other information.
- Formed a **Contractor Safety Team** focused on standardizing contractor management and adoption of best practices.



SAFETY IMPROVEMENTS
SINCE 2007

47% DECREASE IN
VEHICLE ACCIDENTS

62% DECREASE IN
OSHA INCIDENCE RATE

61% DECREASE IN
DART RATE

BUILDING SAFE, SKILLED AND ENGAGED TEAMS

SAFETY MEASUREMENT

| | GOAL | 2012 MILESTONE | 2012 ACTUAL |
|-------------------------------|------|----------------|-------------|
| OSHA INCIDENCE RATE | 0 | 2.05 | 1.91 |
| DART RATE | 0 | 0.95 | 1.07 |
| PREVENTABLE VEHICLE ACCIDENTS | 0 | 123 | 165 |

*THE OSHA INCIDENCE RATE IS DEFINED AS THE NUMBER OF OSHA RECORDABLE INCIDENTS FOR EVERY 200,000 HOURS WORKED (OR APPROXIMATELY PER EVERY 100 EMPLOYEES).

**DART RATE: THE NUMBER OF OSHA RECORDABLE INCIDENTS THAT RESULTED IN LOST TIME, RESTRICTED OR TRANSFERRED TO OTHER WORK INCIDENTS FOR EVERY 200,000 HOURS WORKED (OR APPROXIMATELY PER EVERY 100 EMPLOYEES).

- Unveiled a new safety slogan – **Safe by Choice, Not by Chance** – for Columbia Pipeline Group (CPG) to reinforce a commitment to personal responsibility in safety practices.
- Completed the second company-wide **Safety Summit** in early 2013. The event brought together more than 100 leaders from across NiSource and external safety experts to share learnings and best practices.

We measure our efforts against a number of Occupational Safety and Health Administration (OSHA) industry benchmarks, including work-related injuries and illnesses and Days Away, Restricted or Transferred (DART) rate.

While we've made progress on the measured safety metrics, we still have more work to do. In 2012, we reached our milestone goals for OSHA Incidence Rate, while we fell short on our targeted DART Rate and preventable vehicle accident metrics.

Focus Area: Driver Safety

We are focused on continuous improvement in preventing vehicle crashes. In 2012, all NiSource employees were required to complete a safe driving course. The training begins with an online hazard perception module, and based on those results, other driving improvement modules are assigned to help our employees improve in needed areas. This course will continue in 2013 with additional targeted driver training for all employees. We believe this training will not only reduce on-the-job incidents but also improves employee safety away from work – a core focus of creating a safety culture.

In addition, in 2012, we updated our Cell Phone/Electronic Device Policy, which prohibits the use of handheld electronic devices while driving.

BUILDING SAFE, SKILLED AND ENGAGED TEAMS

DEVELOPING TALENT FOR TOMORROW

Training is key to building skills and capabilities at all levels of NiSource. By providing a wealth of offerings in person and online, we strive to help our employees maximize their potential and develop at every level – individual contributors, leaders of people, leaders of leaders and leaders of organizations.

In 2012, more than 1,900 participants took advantage of NiSource's Leadership Development programs – including Managing a Remote Workforce, Transitioning into Leadership and Powerful Conversations. In addition to formal in-person training options, NiSource maintains a significant library of educational and informational classes in its Online Learning Management System.

Beyond strengthening our current workforce, we continue to focus on the future. Our approach to strategic workforce planning allows us to evaluate workforce gaps against our business initiatives and design solutions to support future workforce needs.

For example, we maintain a strategic partnership with Ivy Tech Community College in Indiana. The partnership includes curriculum that gives students the skills and knowledge needed to gain long-term employment in the electrical and natural gas industry. Career development certificates are available in industrial technology with specialties in electric line construction, power plant technology and natural gas technology. As of September 2012, NIPSCO has hired 20 graduates from the program.

Another example is NiSource's Academy of Engineers program in Ohio that is helping develop tomorrow's talent pool of skilled and diverse engineering and technical professionals. NiSource partners with Columbus City Schools and a local engineering firm to provide high school students with paid internships in engineering, mapping, construction and operations, with a special focus on incorporating the interns into everyday company life.

82% OF
EMPLOYEES
WOULD
RECOMMEND
NISOURCE AS
A GOOD PLACE
TO WORK

MORE THAN
1,900 PARTICIPANTS
TOOK ADVANTAGE
OF NISOURCE'S
LEADERSHIP
DEVELOPMENT
PROGRAMS

BUILDING SAFE, SKILLED AND ENGAGED TEAMS

2012 | **WORLD'S MOST
ETHICAL
COMPANIES**
WWW.ETHISPHERE.COM

2013 | **WORLD'S MOST
ETHICAL
COMPANIES**
WWW.ETHISPHERE.COM

DOING THE RIGHT THING

We aim to be an industry leader in compliance assurance because our customers, employees, shareholders and stakeholders expect and deserve it. Our commitment extends beyond meeting compliance and regulatory guidelines, as we adopt ethical business practices across the corporation. We encourage employees to embrace a transparent and collaborative approach to doing business through training and reporting.

When ethical issues arise, we have a fair and thorough investigation process that is applied consistently across the organization. In 2012, we investigated 56 ethics cases and found that 32 included violations of company policies or our Code of Business Conduct.

Further reinforcing our focus on doing the right thing, NiSource was named one of the World's Most Ethical Companies by Ethisphere Institute for the second consecutive year in 2013. The Institute recognizes 145 organizations worldwide each year for their commitment to ethical leadership, compliance practices and corporate social responsibility.

To help create a culture of reporting, we offer employees four avenues to report concerns or violations securely and confidentially – via phone, in-person, email and online.

In 2012, NiSource conducted a third-party assessment of our Code of Business Conduct. The review evaluated eight key areas of our Code and rated them against best practices. Overall, we ranked in the top 9 percent of all 3,300 codes reviewed. Our Code of Business Conduct was rated as strongest in tone from the top, inclusive tone, reporting avenues, statements of company values and presentation. In 2013, we will be revising our Code of Business Conduct based on feedback from the external review. Our Code of Business Conduct is available on www.nisource.com.

BUILDING SAFE, SKILLED AND ENGAGED TEAMS

STRENGTHENING A CULTURE OF INCLUSION & DIVERSITY

Being North America’s Premier Regulated Energy Company means conducting ourselves in a way that earns respect, supports our goals and inspires us all to do our best work. In that regard, 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.

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

- Enhanced employee engagement
- Improved customer service and satisfaction
- Stronger community and stakeholder relationships
- High-performance teams and results
- Stronger NiSource reputation

All employees are expected to embrace the following inclusive behaviors:

- Mutual respect
- Acceptance
- Teamwork
- Communication
- Valuing individual differences

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. In addition, during 2012, more than 5,400 hours of focused I&D education and training was completed by our employees. Instructor-led programs like “Building a House of Inclusion” challenge assumptions about differences and focus on applying inclusive work behaviors. In “Mixing It Up: The Changing Landscape of Work,” participants explore differences across four generations in the workplace and develop new skills to leverage generational differences.

IN 2012, FOUR NIPSCO EMPLOYEES TOOK ON NEW LEADERSHIP ROLES IN THE INDIANA CHAPTER OF THE AMERICAN ASSOCIATION OF BLACKS IN ENERGY (AABE). AABE IS A NATIONAL ASSOCIATION OF ENERGY PROFESSIONALS FOUNDED AND DEDICATED TO ENSURE THE INPUT OF AFRICAN-AMERICANS AND OTHER MINORITIES INTO THE DISCUSSION AND DEVELOPMENT OF ENERGY POLICY REGULATIONS, RESEARCH AND DEVELOPMENT TECHNOLOGIES, AND ENVIRONMENTAL ISSUES.

BUILDING SAFE, SKILLED AND ENGAGED TEAMS

NISOURCE WORKFORCE STATS*

Total Employees: 8,279

| | | |
|-------|-------|------------|
| 6,164 | (74%) | Men |
| 2,115 | (24%) | Women |
| 991 | (12%) | Minorities |

Total Management Team: 1,325

| | | |
|-----|-------|---------------------------|
| 190 | (14%) | Women (Mgr. & Above) |
| 51 | (4%) | Minorities (Mgr. & Above) |

Total Generations Represented

| | | |
|-------|-------|----------------------------|
| 150 | (2%) | Traditionalists (1925-48) |
| 4,064 | (49%) | Baby Boomers (1949-64) |
| 2,179 | (26%) | Generation X (1965-76) |
| 1,886 | (23%) | Millennials (1977-Present) |

Total Executive Leadership Team: 10

| | |
|----|-----------|
| 8 | Men |
| 2 | Women |
| 10 | Caucasian |

Total Board of Directors: 11

| | |
|---|------------|
| 8 | Men |
| 3 | Women |
| 2 | Minorities |

* As of December 31, 2012

BUILDING A PIPELINE OF WOMEN LEADERS

In 2012, NiSource continued to take steps to build a pipeline of women leaders through national and regional leadership summits, a mentoring program, an employee affinity group and various other initiatives. The Building the NextGen, Women in Leadership initiative provides opportunities for women at NiSource to come together to share ideas, build leadership skills, and ensure that the strong pipeline of woman leaders at the company continues to grow.

To date, activities include networking, sharing leadership opportunities and challenges, and developing critical skills such as negotiating, critical thinking and influencing strategies.

- National and regional summits: Female employees from across NiSource come together with company executives and external experts to share ideas, network and build leadership skills. In the first two years of the program, five such meetings have occurred, reaching nearly 600 women from across the company.
- Mentor ingprogram: A pilot formal mentoring program was launched in the summer of 2012, which paired women with senior male and female leaders across the company. The framework also is being used for other formal and informal mentoring programs throughout NiSource.
- Affinity group: A company-wide women's affinity group – Developing and Advancing Women at NiSource (DAWN) – launched in early 2012 and is comprised of more than 500 male and female employee members. In addition to collaboration and information-sharing through the company's intranet, the affinity group holds quarterly all-member virtual meetings and supplemental local on-site events designed to develop and advance women at the company.

BUILDING SAFE, SKILLED AND ENGAGED TEAMS

SUPPLIER DIVERSITY

NiSource also values diversity among our suppliers and has 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.

In 2009, we launched our Supplier Diversity program, establishing a baseline spend of \$13 million with minority, women, veteran, disabled-owned businesses and historically underutilized business zones. A year later, our diverse spend increased threefold. Our 2011 direct spend with diverse suppliers exceeded \$60 million, a 55 percent increase from 2010. In 2012, NiSource Supply Chain successfully exceeded the direct spend goal of \$62.5 million, up nearly 4 percent from the prior year. Setting diverse spend goals throughout our company will continue to strengthen the program in the future.

We continued to reach out to diverse communities to identify and qualify more vendors in technical and non-traditional areas. In 2012, 53 new diverse suppliers were identified and approved. We continue to encourage prime contractors to identify diverse suppliers as subcontractors for work.

In an effort to create greater awareness and provide tools and resources to qualify diverse suppliers for contractual opportunities, we launched a series of "road show" presentations for our employees who serve as decision makers in the supplier selection process. Additional information about our Supplier Diversity program can be found in the NiSource Inclusion & Diversity Report available on www.nisource.com.

ENGAGING OUR TEAMS

There is strong evidence of a link between engaged employees and business performance. Research shows that engaged employees are more willing to take on new challenges, improve processes and provide higher levels of customer satisfaction.

NISOURCE DIVERSE SUPPLIER SPEND

| | |
|------|---------|
| 2009 | \$12.5M |
| 2010 | \$39.0M |
| 2011 | \$60.3M |
| 2012 | \$75.7M |

BEST PLACE TO WORK

NIPSCO BECAME THE FIRST AND ONLY UTILITY TO BE NAMED TO THE INDIANA CHAMBER OF COMMERCE'S BEST PLACES TO WORK IN INDIANA. THE TOP COMPANIES IN THE STATE ARE DETERMINED THROUGH EMPLOYER REPORTS AND COMPREHENSIVE EMPLOYEE SURVEYS.



BUILDING SAFE, SKILLED AND ENGAGED TEAMS

EMPLOYEE RESOURCE GROUPS

COMMON INTERESTS AND A SHARED SENSE OF PURPOSE ARE WHAT FUEL OUR EMPLOYEE RESOURCE GROUPS (ERG). OPEN TO ALL EMPLOYEES, THESE GROUPS ARE CHARTERED TO PROMOTE AND ADVANCE DEVELOPMENT OF THEIR MEMBERS. ERGS DRIVE A NUMBER OF ACTIVITIES THAT SUPPORT EMPLOYEES, SUCH AS WELCOMING AND MENTORING NEW EMPLOYEES, SPONSORING “LUNCH-AND-LEARNS,” GIVING FEEDBACK TO OUR BUSINESS UNIT LEADERSHIP, AND PROVIDING COMMUNITY SUPPORT THROUGH PHILANTHROPY AND VOLUNTEERISM.

EACH GROUP IS SPONSORED BY A NISOURCE SENIOR LEADER AND REGULARLY MEETS AS A TEAM. THREE OF THESE CORPORATE-SPONSORED ERGS ARE:

GENERATING OPPORTUNITIES FOR LATINOS AND DIVERSITY (GOLD)

DEVELOPING AND ADVANCING WOMEN AT NISOURCE (DAWN)

LEADERSHIP AND EDUCATION FOR AFRICAN AMERICAN DEVELOPMENT (LEAD)

We continue to make strides in building engagement through increased communications and consistent, thorough responses to employee feedback.

Each year, NiSource employees share their opinions about their workplace through an employee engagement survey. The confidential survey gathers employee feedback through a series of questions focused on development and growth, involvement and inclusion, communication and coaching, recognition and rewards, and execution and results. Results are then analyzed and used to identify areas for improvement and drive change throughout the company.

The overall NiSource favorability score (showing how much people agreed or agreed strongly with key engagement items) was 77 percent, our best performance to-date and a 3 percent improvement from 2011. More than 97 percent of employees participated in the employee engagement survey.

Seven items showed meaningful improvement from 2011:

- I receive constructive feedback and coaching on the work I do.
- I understand the reasons behind major decisions that affect my work group.
- I feel valued as an employee of NiSource.
- In the past 12 months, I have had opportunities to develop the skills I need to do my job.
- I have the opportunity for personal development and growth at NiSource.
- In my work group, people get personally involved when they see a co-worker doing something that may be unsafe.
- The people I work with cooperate to get the job done.

NiSource continues to be designated a “high performer” by TNS Employee Insights, a national leader in employee research and consulting and manager of NiSource’s annual employee engagement survey. This designation indicates that NiSource’s employee engagement survey results reflect above-average favorability and improvement.

BUILDING SAFE, SKILLED AND ENGAGED TEAMS

INAUGURAL NISOURCE
INCLUSION & DIVERSITY
REPORT

TO SHARE OUR NISOURCE INCLUSION & DIVERSITY (I&D) ACHIEVEMENTS AND SHOWCASE OUR I&D STORY, WE PUBLISHED OUR FIRST I&D REPORT, WHICH DETAILS A VARIETY OF EFFORTS ACROSS THE COMPANY. THIS INAUGURAL REPORT REPRESENTS A SMALL SAMPLING OF THE NUMEROUS ACTIVITIES THAT HAVE INSPIRED US ALONG OUR JOURNEY. THE REPORT IS AVAILABLE ON WWW.NISOURCE.COM.

2012 NISOURCE
INCLUSION &
DIVERSITY REPORT



SHAREHOLDER VALUE

NISOURCE INC.

| | CAPITAL INVESTMENT | TOTAL SHAREHOLDER RETURN |
|-------------------|--------------------|--------------------------|
| 2009 | \$799M | 49% |
| 2010 | \$912M | 21% |
| 2011 | \$1.13B | 40% |
| 2012 | \$1.6B | 8.5% |
| 2013 (PLANNED) | \$1.8B | |

TOTAL SHAREHOLDER RETURN = PERCENTAGE CHANGE IN STOCK PRICE OVER THE YEAR PLUS DIVIDEND YIELD AT THE BEGINNING OF THE YEAR

SUSTAINABILITY DIMENSION:
SHAREHOLDER VALUE

STRATEGY

- **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.**

This was another year of consistent, disciplined execution across all facets of NiSource's well-established business strategy. Anchored by a deep and growing inventory of infrastructure-focused capital investments, our strategy continues to produce value for our shareholders and tangible benefits for customers and other key stakeholders across our three core business units.

Our Team added to its established track record of delivering results in 2012:

- We successfully advanced a broad array of initiatives to strengthen our energy infrastructure, improve customer service and enhance environmental sustainability as outlined throughout this report.
- We delivered an earnings per share (non-GAAP) increase of 10.6 percent over 2011 – successfully meeting our guidance for the sixth consecutive year. Our current earnings outlook for 2013 places earnings growth at approximately 6 percent over 2012 at the range's midpoint.
- We delivered a total shareholder return of 8.5 percent – outperforming both the Dow Jones and S&P utility indices for the fourth straight year.

SHAREHOLDER VALUE

- We invested more than \$1.6 billion during the year and outlined an inventory of more than \$25 billion of infrastructure modernization and growth investment, which will position us to deliver sustainable earnings growth of 5 to 7 percent annually.
- We increased our common stock dividend for the first time in more than a decade (4.3 percent) and outlined plans to grow the dividend by 3 to 5 percent annually.
- Our stock price reached a 10-year high in 2012 and continues to perform well in early 2013.
- We demonstrated ongoing financial and operational discipline, closing the year with nearly \$1 billion in net available liquidity.
- We remained one of the World's Most Ethical Companies as designated by The Ethisphere Institute.

Additional information can be found in the NiSource Annual Report to Shareholders available on www.nisource.com.



NISOURCE RINGS THE
CLOSING BELL AT THE
NEW YORK STOCK EXCHANGE
IN HONOR OF OUR
50TH ANNIVERSARY ON
THE EXCHANGE



Columbia Gas
of Virginia
A NiSource Company

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DATA TABLES

| Environmental Stewardship | | | | | |
|-----------------------------|---------|---------|---------|---------|---------|
| Ash/Gypsum – Tons Generated | | | | | |
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| Fly Ash | 274,236 | 261,180 | 314,100 | 293,898 | 228,130 |
| Bottom Ash | 198,409 | 185,216 | 188,887 | 198,732 | 146,239 |
| Gypsum | 419,504 | 468,378 | 421,479 | 314,321 | 338,317 |

| Ash/Gypsum – Reused or Recycled | | | | | |
|---------------------------------|--------|--------|--------|--------|--------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| Fly Ash | 34.38% | 32.28% | 33.35% | 34.36% | 36.80% |
| Bottom Ash | 100% | 100% | 100% | 100% | 100% |
| Gypsum | 99.68% | 99.34% | 99.29% | 99.36% | 100% |
| Combined | 79.68% | 80.33% | 77.03% | 75.84% | 79.77% |

Industry Average of Beneficial Use of ByProducts: 37% Source: EPA <http://www.epa.gov/wastes/nonhaz/industrial/special/fossil/ccr-rule/ccrfaq.htm>

| NIPSCO Carbon Intensity | | | | | | | | | | | | |
|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Lbs. of GHG per MWh | 2,411.4 | 2,213.9 | 2,262.4 | 2,294.3 | 2,296.9 | 2,236.8 | 2,201.0 | 2,218.6 | 2,290.1 | 2,181.4 | 2,082.0 | 1,960.0 |

| Nitrogen Oxide Emissions - CPG | | | | | |
|--------------------------------|--------|--------|--------|--------|--------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| Lbs. NOx/ Horsepower Hours | 0.0137 | 0.0137 | 0.0133 | 0.0133 | 0.0162 |

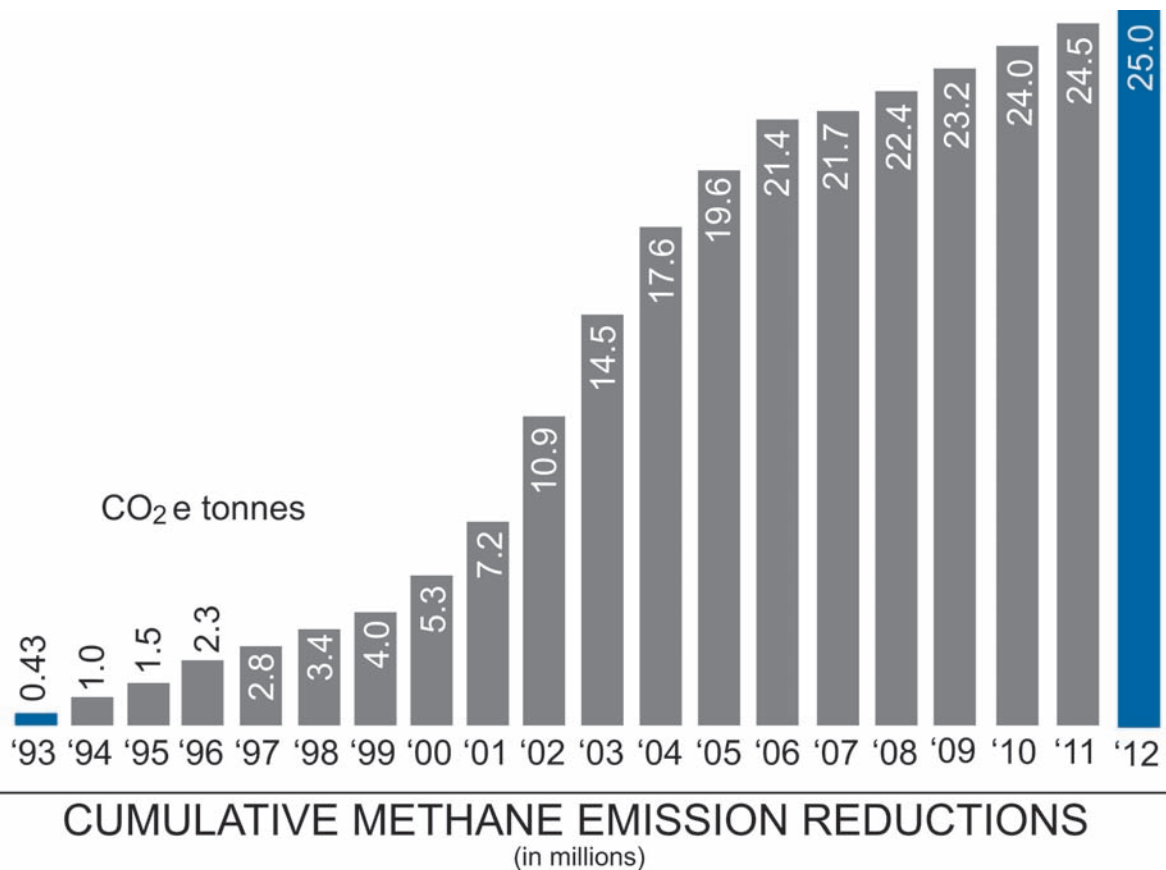
| Key Performance Indicators | | | | | |
|---|-------|-------|--------|--------|--------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| SO ₂ Emission Rate (Lbs/MWh) | 7.93 | 6.72 | 5.93 | 4.60 | 4.27 |
| CO ₂ Emission Rate (Lbs/MWh) | 2,219 | 2,269 | 2,181 | 2,082 | 2,089 |
| NOx Emission Rate (Lbs/MWh) | 4.14 | 2.04 | 1.76 | 1.41 | 1.32 |
| Lead Emissions Rate (Lbs/MWh) | - | - | 0.0002 | 0.0002 | 0.0002 |
| Volatile Organic Compounds (Lbs/MWh) | - | - | 0.0479 | 0.0472 | 0.0433 |
| Particulate Matter Emissions (Lbs/MWh) | - | - | 0.5397 | 0.5090 | 0.3937 |
| # of Agency Actions (NOVs) | 7 | 7 | 7 | 5 | 9 |
| Total Water Withdrawal (Bil/Gal) | 100.6 | 105.3 | 98.61 | 107.4 | 86.96 |

DATA TABLES

| Direct and Indirect GHG Emissions (In CO ₂ eq Tonnes) | | | | | | | |
|--|---------------|------------|------------|------------|------------|------------|------------|
| | 2001 Baseline | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| CPG Combustion | 2,032,649 | 1,707,341 | 1,672,086 | 1,643,419 | 1,467,803 | 1,279,304 | 1,005,920 |
| CPG Fugitive & Vented* | 3,954,557 | 3,434,945 | 3,881,965 | 3,472,620 | 3,473,055 | 2,357,960 | 2,738,252 |
| Gas Distribution - Includes Combustion, Vented and Fugitive and LNG/LPG | 1,498,862 | 1,616,464 | 1,582,589 | 1,397,537 | 1,287,271 | 1,268,920 | 1,271,720 |
| Electric Generation | 17,599,959 | 16,919,229 | 16,763,056 | 15,103,475 | 16,110,206 | 15,340,748 | 12,681,846 |
| Purchased Power - Increase Over Baseline Due to Ceased Operations at DHMGS | 362,773 | 2,992,073 | 2,459,491 | 1,310,733 | 1,206,705 | 1,577,737 | 2,900,331 |
| SF6 Emissions | 125,593 | 55,485 | 82,311 | 49,651 | 29,877 | 39,255 | 17,657 |
| Mobile Emissions | 24,071 | 22,372 | 47,773 | 35,075 | 36,790 | 37,956 | 43,119 |
| Building Energy - Natural Gas Heating*** | - | - | - | - | - | 16,876 | 15,949 |
| Indirect** | 130,564 | 121,206 | 112,713 | 93,521 | 100,210 | 186,448 | 206,265 |
| Total | 25,729,028 | 26,869,115 | 26,601,984 | 23,106,031 | 23,711,917 | 22,105,204 | 20,881,059 |

* 2011 value decreased through use of more accurate emission factors for M&R stations valves, pipeline and components.
 ** 2011 value increased due to improved emission factors and the inclusion of electric compression data.
 *** New category to accurately identify natural gas combusted for building heating as a direct GHG emission. Previously coupled with building energy electric and other indirect GHG emissions identified in the Indirect Emissions Category.

Cumulative Methane Emission Reductions



DATA TABLES

| Direct GHG Emissions by Category | | | | | | | |
|---|---------------|--------|--------|--------|--------|--------|--------|
| | 2001 Baseline | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Electrical Intensity (tonnes CO ₂ e per MWh) | 1.10 | 0.9984 | 1.0064 | 1.0388 | 0.9895 | 0.9444 | 0.8891 |
| Tonnes/Mile of Pipe - Gas Transmission - Fugitive & Vented* | 255.7 | 225.2 | 241.4 | 237.4 | 239.3 | 163.8 | 191.1 |
| Tonnes/Mile of Pipe - Gas Distribution | 27.7 | 28.6 | 28.1 | 26.9 | 25.0 | 23.7 | 23.6 |
| Tonnes/MMBHP - HR - Gas Transmission (Combustion) | 588.8 | 519.0 | 572.8 | 584.2 | 523.9 | 535.2 | 517.9 |

* 2011 decrease through use of Subpart W methodology and field measurements replacing emission factors for some storage and transmission stations.

| Indirect GHG Emissions by Business Unit (Tonnes CO ₂ e) | |
|--|-----------|
| | 2012 |
| Columbia Pipeline Group | 164,901.3 |
| Natural Gas Distribution Operations | 72,529.8 |
| NIPSCO | 27,901.3 |
| Total | 265,332.5 |

| Waste | | | | | | | | |
|---|-----------|------------|-------|------------|-----------|------------|-------|------------|
| Total Weight (in Tons) of Waste by Type of Disposal Method – Excluding Coal Combustion Byproducts and MGP Legacy Site Remediation Waste | | | | | | | | |
| Source: Waste Contractor | | | | | | | | |
| | 2011 | | | | 2012 | | | |
| | Hazardous | Non-Hazard | Total | % of Total | Hazardous | Non-Hazard | Total | % of Total |
| Treatment | 73 | 5,077 | 5,150 | 52.6% | 12 | 2,674 | 2,686 | 37.7% |
| Landfill | 147 | 2,244 | 2,391 | 24.4% | 214 | 1,580 | 1,794 | 25.2% |
| Recycled (Non-Trash) | 0 | 1,377 | 1,377 | 14.1% | 0 | 1,563 | 1,563 | 21.9% |
| Reuse (Fuels, Oil Marker) | 67 | 564 | 631 | 6.4% | 92 | 916 | 1,008 | 14.1% |
| Injection | 0 | 211 | 211 | 2.2% | 0 | 30 | 30 | 0.4% |
| Incineration | 33 | 5 | 38 | 0.4% | 40 | 7 | 47 | 0.7% |
| Totals | 320 | 9,478 | 9,798 | 100.0% | 358 | 6,770 | 7,128 | 100.0% |
| | Recycled | Landfilled | Total | % Recycled | Recycled | Landfilled | Total | % Recycled |
| Estimated Trash/Municipal Waste | 539 | 4,529 | 5,068 | 11% | 1,162 | 6,547 | 7,709 | 15.1% |

| Sensitive Land Managed or Preserved | | | | | | | |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Cumulative Acres | 2,083 | 2,763 | 4,723 | 5,923 | 6,344 | 6,713 | 6,774 |

DATA TABLES

| 2012 Water Usage | | | | | |
|------------------|-------------------|--------|-------------|------------|----------|
| | Millions Gallons* | | | MWh | Gals/MWh |
| | Withdrawal | Return | Consumption | | |
| Michigan City | 5,496 | 3,607 | 1,889 | 2,513,510 | 752 |
| Bailly | 73,402 | 73,173 | 229 | 2,101,993 | 109 |
| R.M. Schahfer | 6,980 | 4,125 | 2,855 | 6,690,390 | 427 |
| Sugar Creek** | 1,080 | 458 | 622 | 3,215,690 | 193 |
| Total | 86,958 | 81,363 | 5,595 | 14,521,583 | 385 |

* Based on flow meter data and estimates.
** Sugar Creek return is an estimate based on 2011 usage rates.

| Generating Station Water Discharges (EN25) | | | | | |
|---|---|--|---|----------------------------------|--|
| <p>While NIPSCO's discharges do not meet the 5% threshold of significant discharge, all of our generation related discharges are in State Resource Waters, most of which are home to several state listed endangered species. These discharges are not known to have a significant impact on any of these State Designated Resource Waters and are compliant with NIPSCO's NPDES permits.</p> | | | | | |
| Generating Station | Discharge Type | Water Body | Estimated Annual Discharges* (Millions Gallons) | Federally Listed Species (USF&W) | State Listed Species (IDNR) |
| Bailly | Non-contact cooling water, boiler blowdown, low volume wastes, floor and equipment drains, industrial wastewater treatment plant, ash pond, and advanced FGD wastewater, sanitary wastewater, metal cleaning wastes and storm water | State Designated Resource Water Lake Michigan (Approx. 1,180 Cubic Miles) | 84,314 | Piping Plover | Sheepnose Mussel Ellipse Mussel Lake Sturgeon |
| Michigan City | Storm water and low flow volume sources (i.e. floor drains, sink basins, etc.), cooling tower blowdown, discharge from: the final ash pond, coal pile storm water run-off, metal cleaning wastewaters, and misc. low volume wastewater (including misc. service usage, water treatment wastewater, and boiler blowdown, etc.), storm water from coal conveyor system and main parking lot | State Designated Resource Water Lake Michigan (Approx. 1,180 Cubic Miles) | 3,348 | Piping Plover | Lake Sturgeon |
| R.M. Schahfer | Emergency overflow from Final Settling Basin, low volume waste, bottom ash transport water, cooling tower blowdown, coal pile runoff, treated sanitary wastewater, and storm water | State Designated Resource Water Kankakee River (Approx. 133 Miles Long with a drainage area of 2,989 Square Miles) Based on average discharge estimates for 2011 and 2012, discharges averaged 6,086.37 million gallons annually. | 6,086 | - | Sheepnose Mussel Greater Redhorse Blue-Spotted Salamander Plains Leopard Frog Northern Leopard Frog Spotted Turtle Blanding's Turtle Eastern Mud Turtle Ornate Box Turtle |
| Sugar Creek | Storm water, cooling tower blowdown, low volume wastes, untreated storm water associated with industry activity, storm water not exposed to industrial activity | State Designated Resource Water Wabash River (Approx. 475 Miles Long with a drainage area of 33,000 Square Miles) | 238 | - | Eastern Fanshell Perlymussel Northern Riffleshell Tubercled Blossom Longsolid Pink Mucket White Wartyback Sheepnose Clubshell Rough Pigtoe Pyramid Pigtoe Greater Redhorse Lake Sturgeon Eastern Hellbender Northern Crawfish Frog Species of Special Concern: Round Hickorynut Ohio Pigtoe Kidneyshell Northern Cricket Frog Northern Leopard Frog Eastern Spadefoot |

* Estimates are based on the average discharge for 2010 and 2011.

DATA TABLES

| Support Strong, Growing Communities | | |
|---|----------|-----------|
| Dollars for Doers | | |
| Source: NiSource Internal Financial Systems, NiSource Charitable Foundation | | |
| 2010 | 2011 | 2012 |
| \$73,000 | \$98,000 | \$125,000 |

| Charitable Giving | | |
|---|---------------|---------------|
| Source: NiSource Internal Financial Systems, NiSource Charitable Foundation | | |
| 2010 | 2011 | 2012 |
| \$4.8 Million | \$5.5 Million | \$6.8 Million |

| Customer-Focused Energy Solutions | | |
|--|----------------|----------------|
| LIHEAP Funds | | |
| 2009/2010 | 2010/2011 | 2011/2012 |
| \$80.8 Million | \$69.1 Million | \$55.6 Million |

| NI Corporate Balanced Scorecard Customer Service | | | | |
|---|-------------|-------------|-------------|-------------|
| | 2011 Actual | 2012 Target | 2012 Actual | 2013 Target |
| Overall Satisfaction | 88% | 89% | 88% | 89% |

DATA TABLES

| Safe, Skilled and Engaged Teams | | | | |
|--|------|------|------|------|
| Employee Engagement Survey Results | | | | |
| | 2009 | 2010 | 2011 | 2012 |
| Engagement Level | 69 | 71 | 74 | 77 |
| Participation Level | 89 | 92 | 96 | 97 |
| Would Recommend NiSource as a Good Place to Work | 70 | 74 | 79 | 82 |

| Safety | | | | | |
|-------------------------------------|------|------|------|-----------------------|------|
| | 2009 | 2010 | 2011 | 2012 Milestone Target | 2012 |
| OSHA Incidence Rate | 3.32 | 2.87 | 2.59 | 2.05 | 1.91 |
| Days Away Restricted or Transferred | 1.76 | 1.6 | 1.32 | 0.95 | 1.07 |
| Preventable Vehicle Accidents | NA | 185 | 207 | 123 | 165 |

The OSHA Incidence Rate is defined as the number of OSHA recordable incidents for every 200,000 hours worked (or approximately per every 100 employees). The Days Away Restricted Rate (DART) is the number of OSHA recordable incidents that resulted in lost time, restricted or transferred to other work incidents for every 200,000 hours worked (or approximately per every 100 employees).

| Shareholder Value | | | | | |
|-------------------|----------------|--------------------------|-------------------------------|---------------------------------------|-----------|
| Year | Total Revenues | Total Operating Expenses | Total Capitalization – Equity | Total Capitalization – Long-Term Debt | Employees |
| 2012 | \$3,519.7 | \$2,509.2 | \$5,554.3 | \$6,819.1 | 8,286 |
| 2011 | \$3,428.9 | \$2,553.4 | \$4,997.3 | \$6,267.1 | 7,957 |
| 2010 | \$3,407.4 | \$2,530.6 | \$4,897.5 | \$5,936.1 | 7,604 |

| Capital Investment | | | | |
|--------------------|---------------|----------------|---------------|----------------|
| 2009 | 2010 | 2011 | 2012 | 2013 (Planned) |
| \$799 Million | \$912 Million | \$1.13 Billion | \$1.6 Billion | \$1.8 Billion |

| Total Shareholder Return | | | | |
|--|------|------|------|--|
| Total Shareholder Return = Percentage Change in Stock Price Over the Year plus Dividend Yield at the Beginning of the Year | | | | |
| 2009 | 2010 | 2011 | 2012 | |
| 49% | 21% | 40% | 8.5% | |

FORWARD-LOOKING STATEMENTS

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

REPORT PARAMETERS & MATERIALITY

This report covers calendar year 2012 and was developed to address four key areas of sustainability relevant to NiSource’s Sustainability Strategy and Policy, and of interest to its stakeholders based on ongoing feedback. The four areas include status reports on what NiSource is doing for its customers, communities, employees and the environment. This report is not all-inclusive and covers the three principal businesses of NiSource and includes topics that have a direct or indirect impact on NiSource’s ability to operate and create economic, environmental and social value.

In addition, we follow the Global Report Indicator (GRI 3.1) reporting methodology as the basis of our disclosures and support when determining materiality of information presented. The GRI table applicable to the 2012 Sustainability Report can be found at www.nisource.com/sustainability. Additional information can be found in the Report Development Background available 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 2012 reporting process, a task force, supported by the NiSource Sustainability Council, was established to develop the report. We worked with our Executive Council and Board of Directors for review, guidance and approval. A third party reviewed the report and Global Reporting Indicator (GRI) tables to provide a statement of assurance to indicate the report met the requirements of GRI Application Level B+. The full GRI table is available at www.nisource.com/sustainability.

Our last internal audit of our Sustainability Report was completed in early 2012. The purpose of the audit was to evaluate risk exposures relating to:

- Reliability and integrity of financial, operational and environmental information;
- Compliance with policies, procedures, laws, regulations and contracts;
- Suitability, relevance and quality of the underlying sustainability criteria being measured;
- Effectiveness and efficiency of the sustainability reporting process.

No significant weaknesses were discovered during the audit; however, recommendations from the audit were incorporated into this report.

We continuously look for ways to improve our sustainability reporting and the involvement of our stakeholders. This is our fourth official 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, Team Leader, Environmental, Safety & Sustainability, NiSource Inc., 801 East 86th Avenue, Merrillville, IN 46410 or by email at JAShea@nisource.com.

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