



2017
INTEGRATED
ANNUAL
REPORT





Helping Those in Need

NiSource volunteers **Amy Westfall** and **Duan Hobbs** stock shelves at the Chesterfield Food Bank (Virginia), a longtime Columbia Gas partner in supporting human needs in the communities we serve. During 2017, Columbia Gas and the NiSource Charitable Foundation contributed a total of more than \$70,000 to local food pantries and shelters across the commonwealth, along with hundreds of employee volunteer hours for local food distribution and community assistance programs. **Across NiSource's seven states, in 2017, we contributed more than \$6 million to nonprofit organizations in our communities, including \$1.3 million in giving by the NiSource Charitable Foundation.**

NISOURCE STAKEHOLDERS:

As we present our **2017 Integrated Annual Report**, I am proud to share the results of our relentless focus on delivering value for our customers and all our stakeholders.

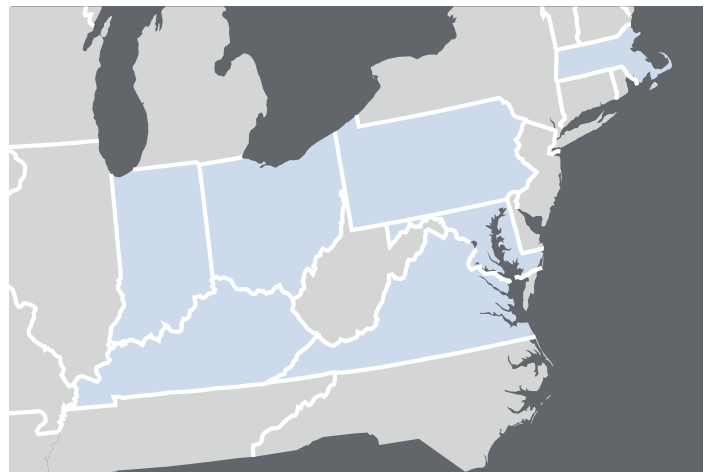
We are continuing to create value across a set of operational, social and financial performance factors, and are more confident than ever that our well-established, customer-focused business strategy is sustainable for many years to come.

Looking back, 2017 was a year of solid execution across all facets of our business plan. Here are just a few highlights:

- **Safety:** We progressed on our safety journey, achieving our best-ever performance in our core employee safety metrics, as well as damage prevention.
- **Customer Service:** Scores improved across all our companies. Notably, our Virginia subsidiary was recognized by J.D. Power as one of the nation's top natural gas-only brands, and our electric business in Indiana was recognized as one of the most improved brands.
- **Investment:** We invested a record \$1.7 billion across our footprint, improving safety, reliability and environmental performance for our customers.
- **Talent and Culture:** NiSource received national recognition from *Forbes* magazine, the Human Rights Campaign Foundation, the Ethisphere Institute and others.
- **Environment:** We established aggressive environmental targets supported by our



JOE HAMROCK
President & CEO
NiSource Inc.



SERVING NEARLY 4 MILLION NATURAL GAS AND ELECTRIC CUSTOMERS ACROSS SEVEN STATES UNDER OUR COLUMBIA GAS AND NIPSCO BRANDS.

We employ approximately 8,000 of our neighbors who are engaged in the communities we serve, making them great places to live and call home.

\$1.21
2017
NET OPERATING
EPS*

\$0.39
2017
GAAP
EPS

\$0.70
PER SHARE
ANNUAL
DIVIDEND
FOR 2017

19.3%
TOTAL
SHAREHOLDER
RETURN

business strategy, including a 50 percent reduction of greenhouse gas emissions from 2005 levels by 2025.

- **Shareholder Value:** We delivered strong net operating earnings per share (NOEPS)* and dividend growth, and continued to provide double-digit total shareholder return.

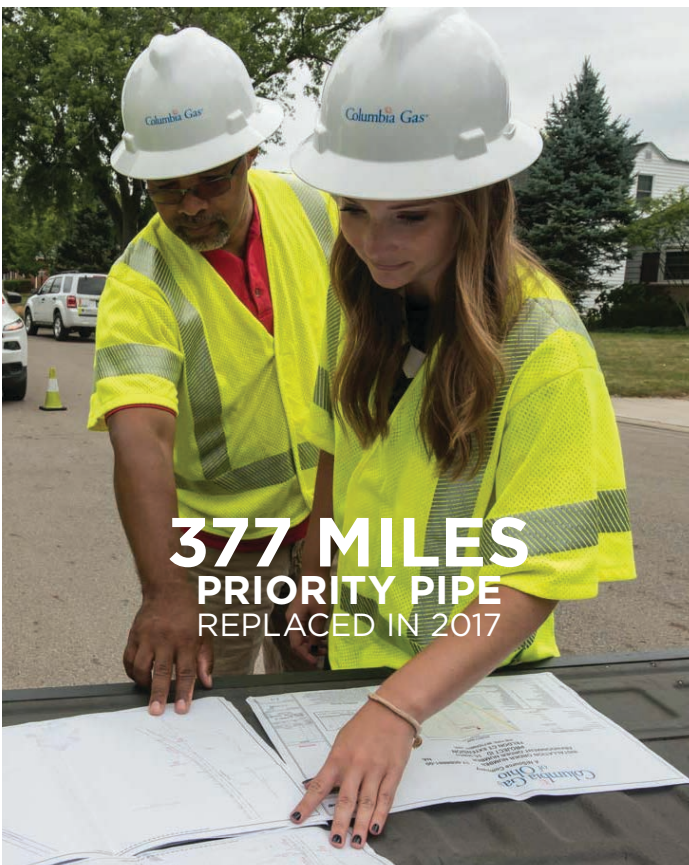
INVESTMENTS DRIVE 2017 PERFORMANCE, FUTURE GROWTH

In 2017, NiSource invested a record \$1.7 billion in capital programs. These investments are enhancing the safety, reliability and environmental performance of our systems, while also supporting improved customer service and employee training and development.

In our natural gas business, we replaced 377 miles of priority pipe, which drove continued reductions in leaks and methane emissions. In our electric business, we replaced nearly 70 miles of underground cable and more than 1,300 poles, improving service reliability for our Indiana customers. We're also nearing completion of two large electric transmission projects, which will further support service reliability and improve access to regional power supplies.

Supporting these programs is a balanced regulatory strategy that considers the value delivered for customers and sustained, fair returns for our investors.

This approach helped us deliver non-GAAP net operating earnings per share* of \$1.21 in 2017, slightly above our guidance range for the year, and 11 percent higher than 2016. The



* Net operating earnings per share (non-GAAP); for a reconciliation to GAAP, see Schedule 1 on page 22; see also Regulation G statement on inside back cover.

biggest driver of our solid performance continues to be our long-term infrastructure modernization investments, supported by constructive regulatory frameworks and established recovery mechanisms.

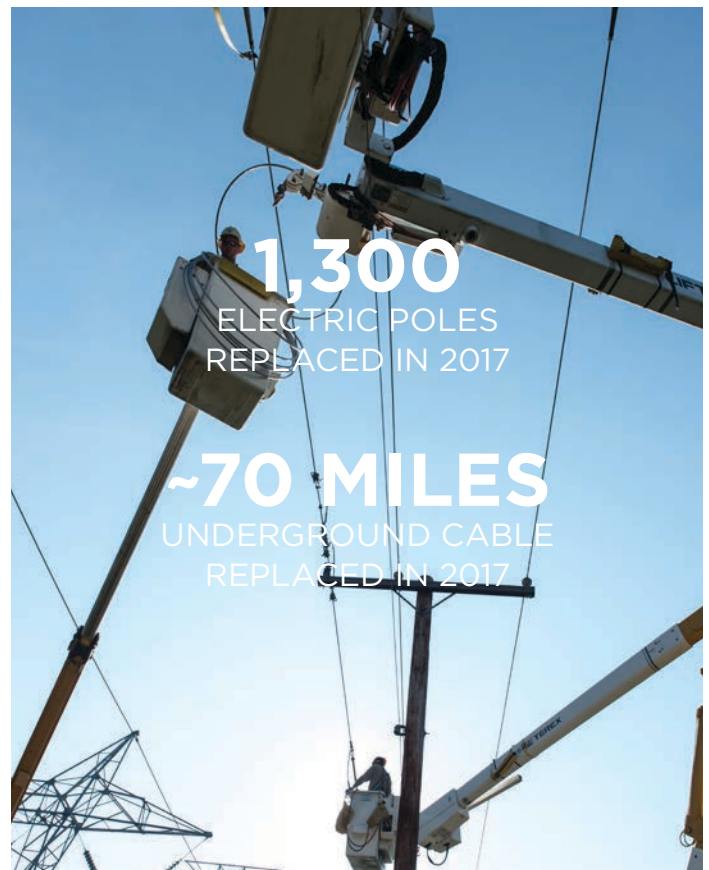
This strategy translates into value. Our total shareholder return for 2017 was approximately 19 percent, which outperformed the S&P Utilities and Dow Jones Utility indices. Part of our value for shareholders is a solid and increasing dividend. In 2017, we increased our annualized dividend by more than 6 percent, and in January of 2018, increased the dividend by another 11.4 percent.

NISOURCE & FEDERAL TAX REFORM

At this time a year ago, it was known that comprehensive reform of the federal tax code was a high priority for policymakers in Washington, D.C. But the specifics of tax reform legislation, as well as its potential impact on regulated utilities and their customers, were far from clear.

Today we know that the landmark legislation, signed into law in December 2017, supports the continued investment in critical utility infrastructure that provides long-term benefits for our customers and communities.

Specifically, the law recognized the unique needs of regulated utilities by maintaining the federal income tax deduction of interest expense for regulated utilities, the federal income tax deduction for state and local taxes, the normalization of costs for long-term investments and dividend tax rates on par with capital gains tax rates.



\$1.26-\$1.32
2018
NET OPERATING
EPS*
PROJECTED

\$1.7B-\$1.8B
2018
CAPEX
PROJECTED

5-7%
THROUGH
2020
ANNUAL EPS*
DIVIDEND GROWTH
PROJECTED

\$0.78
PER SHARE
ANNUAL
DIVIDEND
FOR 2018

\$30B
IDENTIFIED
LONG-TERM
INVESTMENTS

* See Regulation G statement on inside back cover.



~28,000
NEW NATURAL GAS
CUSTOMERS (NET)
ADDED IN 2017

Since federal taxes are part of the regulated rates that our customers pay, lower tax rates mean lower costs for our customers. We're working with our key stakeholders in all seven states to shape the most balanced and constructive approach to pass the benefits of tax reform back to our customers.

As we get more clarity on the regulatory treatment of customer savings related to tax reform, we will better understand the impact of tax reform on our credit metrics and financing plan. Regardless of the effects of tax reform on these items, we remain confident in our ability to meet our commitments to the financial community, including maintaining investment-grade credit.

2018 AND LONG-TERM OUTLOOK

With continued confidence in our business plan, we expect to deliver non-GAAP net operating earnings of \$1.26 to \$1.32* per share in 2018, and to make capital investments of \$1.7 to \$1.8 billion. And we expect to grow net operating earnings per share (non-GAAP) and our dividend at 5 to 7 percent, while investing \$1.6 to \$1.8 billion in our utility infrastructure programs each year through 2020.

As we execute on our core infrastructure strategy, we'll continue to unlock additional potential via continuous improvement in processes and systems to drive enhanced customer value. You'll see tangible examples of this in 2018, including our commitment to keep our operating and maintenance expenses at or below our year-end 2017 numbers, which

* See Regulation G statement on inside back cover.

Strong Safety Performance BY THE NUMBERS

MEASURE	2018 YEAR-END MILESTONE	2017 STATUS	2016 STATUS	CURRENT PERFORMANCE
DART RATE*	INDUSTRY TOP DECILE	0.43	0.82	TOP DECILE
RECORDABLE INJURY RATE	INDUSTRY TOP DECILE	0.91	1.55	TOP DECILE
VEHICLE COLLISION RATE	INDUSTRY TOP DECILE	1.67	1.83	TOP QUARTILE
BUSINESS PARTNER DART RATE*	INDUSTRY TOP DECILE	0.50	0.49	TOP DECILE
BUSINESS PARTNER RECORDABLE INJURY RATE	INDUSTRY TOP DECILE	1.22	0.97	TOP QUARTILE

*DAYS AWAY, RESTRICTED OR TRANSFERRED
NOTE: 2017 INCLUDES THE ADDITION OF SUBCONTRACTORS TO OUR METRICS

have increased as a result of spending commitments around safety, training and reliability, as well as customer growth and transformation initiatives.

Looking beyond 2020, continued infrastructure investment and process improvement at our companies is expected to drive sustainable net operating earnings per share and dividend growth.

WORKING AND SERVING CUSTOMERS SAFELY

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

While our goal will always be zero incidents, we've operated for several years with the milestone of top-decile employee safety performance within the utility industry by the end of 2017. I'm pleased to report that we achieved that goal in several areas.

In employee safety, our core metrics include two Occupational, Health & Safety Administration standards - incident rates and recordable injury rates. We achieved top decile on both in 2017.

With our employees driving approximately 55 million miles annually in company vehicles while working, we're also focused on reducing preventable vehicle crashes. While we narrowly missed our industry top-decile



A FORWARD-THINKING APPROACH TO TRAINING

In 2016, we opened our first of four new state-of-the-art field operations training centers as part of our journey to modernizing our training practices. In 2017, we opened two more facilities in Columbus, Ohio, and Chester, Virginia. These facilities offer a wide range of training benefits for employees and first responders, including hands-on training, a modernized approach to learning and areas for emergency training scenarios. The fourth training center opened in early 2018 in Massachusetts.

The way we learn on the job is also evolving. With the changing workforce, we're shifting our approach on learning and training. Modernized training is needed to keep up with advancing technology and the preferred learning methods of those entering the workforce. For example, we've created a Performance Support Tool application for mobile phones, which employees consult as part of their work process. The tool is available where they are, whenever they need it.

milestone, we did achieve our best rate in company history.

While our goal to achieve zero incidents may seem aspirational, dozens of our work groups have achieved this goal for many years. If one of these groups can accomplish this, we know all of NiSource can. And our culture and people will make it happen.

Every employee and business partner contributes to our safety culture. When we drive our vehicles without using our mobile devices, when we speak up if something doesn't look right on a job site and even when we clean up a spill at the office – every behavior matters.

One story in particular truly embodies who we are as a company and the culture we have created. An employee in Massachusetts stopped work when he saw another company's contractor working in an unsafe trench. His actions almost certainly helped save a life when the trench collapsed moments after the individual was safely on solid ground.

Safety is not only driven by our personal commitment to working safely, it's also driven by our focus on keeping our customers and communities safe.

To that end, we continue to make progress on reducing third-party damages to our underground facilities – the single largest cause of incidents on natural gas distribution



WE ARRIVE AT **96%** OF GAS EMERGENCIES
IN LESS THAN **45 MINUTES**, WITH AN AVERAGE
RESPONSE TIME OF LESS THAN **26 MINUTES**

systems. We saw our best year on record for damage prevention in 2017, with a year-over-year improvement of 5 percent.

As part of our continued efforts to keep our systems safe, we've implemented programs to help us become top decile by 2021. For example, we're using Global Positioning System (GPS) technology to more precisely locate our underground natural gas facilities. Since 2012, we've used GPS to locate 3,300 miles of our gas distribution system and

plan to continue this work to increase this number.

And we're using specialized cameras to inspect sewer lines before and after we complete certain gas line maintenance to ensure our facilities don't intersect with other underground utilities to create a potential safety hazard.

When emergencies do occur, our employees stand ready to respond with the right training

CONNECTING WITH OUR CUSTOMERS

We're showing customers we care – right when they need it. We've partnered with a leading greeting card company to let customers know we're thinking of them. Whether it's celebrating the birth of a baby, thanking a veteran for their service, or sharing in the excitement of a customer's new home purchase, our customer service representatives have the ability to send cards to customers after recent interactions.

We're empowering our employees to connect with our customers. It's our way of giving back and offering a small thank you for being a customer and having us be part of their life.

and systems to keep people safe. A critical part of that is arriving as quickly and safely as possible. Our average response time to a gas emergency is less than 26 minutes, and we arrive at virtually all emergencies well ahead of the industry average of 60 minutes.

As much progress as we've made, we know that past success does not guarantee future performance and that there are still opportunities to reduce risk. We're implementing a Safety Management System that builds on our work to date and more closely integrates our safety programs and processes. It's a systematic approach to managing safety, which clearly defines a support structure, accountabilities, policies and procedures. We've joined others in the industry to share progress and experiences, and to learn from one another.

ENHANCING THE CUSTOMER EXPERIENCE

Customers today increasingly expect a personal, consistent, seamless and on-demand experience. What delights customers today will be a basic expectation tomorrow. We're committed to transforming our customer experience by adopting best practices across all customer touchpoints.

We use customer feedback to identify opportunities to improve. This data translates into solutions and enhancements to not only address pain points but anticipate and be flexible for what's next.

We measure customer satisfaction through surveys after a customer interacts with us by phone, in their community or online. In 2017, we enhanced our capabilities to receive more real-time data that can be leveraged for



customer follow-ups, process improvements and coaching.

We also measure customer perception through J.D. Power surveys. In that measure, our customer satisfaction scores improved across all our companies in 2017. Three of our utilities received recognition from J.D. Power. Columbia Gas of Virginia was rated as one of the nation's top gas-only brands in the 2017 residential natural gas study, and Columbia Gas of Pennsylvania was second in its segment. In the residential electric study, NIPSCO was recognized as one of the nation's most improved brands.

We offer programs that enhance comfort, boost energy efficiency, help customers manage their bills and reduce their carbon footprint.

NiSource energy efficiency programs offer rebates or discounts on home energy audits, high-efficiency appliances and HVAC equipment, weatherization projects and even smart thermostats. We strive to educate our customers about using energy wisely, while maintaining or increasing their home's comfort. Nearly 900,000 customers participated in our programs last year, saving approximately \$21 million on their energy bills.

For our customers in need, the thought of the next bill from Columbia Gas or NIPSCO can be stressful. We advocate for federal funding to ensure these customers who struggle to heat their homes in the winter and cool their homes in the summer have access to funds to help maintain their service. We also educate eligible customers about various energy assistance programs available in the states we serve, and we offer payment options, including our



MAKING IT EASIER FOR NEW CUSTOMERS

Targeted marketing, conversion consultants and partnerships all play a role in how we extend the benefits of natural gas to new customers near our systems. With targeted, multichannel marketing, we're raising awareness of the benefits of natural gas and approaching annual net customer growth of 1 percent. With trade ally relationships, we're able to provide faster installations and financing options for new customers. Finally, we're making it easier for customers to have new equipment installed at a critical moment, such as when an appliance fails or when making a decision to build a home.



ENHANCING ELECTRIC OUTAGE COMMUNICATIONS

When you lose power, the most important question is when it's coming back. That's why we launched a new effort in 2017 to raise the bar in communications for our customers affected by power outages. We added updates throughout the restoration process and provided more accurate estimated times of restoration so customers could better plan around the inconvenience.

We did this by making changes to processes, increasing accountability for leaders, increasing enrollment in outage alerts and enhancing measurement and reporting tools. The effort resulted in operational efficiencies, increased customer satisfaction and a plan to keep enhancing this communication process for customers in 2018.

Customer Satisfaction BY THE NUMBERS

MEASURE	MILESTONE	2017 STATUS	2016 STATUS	CURRENT PERFORMANCE
CUSTOMER SATISFACTION	90% YEAR-END 2018	88%	87%	ON TARGET
J.D. POWER RESIDENTIAL SCORE	FIRST QUARTILE YEAR-END 2018	SECOND QUARTILE	THIRD QUARTILE	ON TARGET
ON-TIME APPOINTMENT RATE	99% YEAR-END 2018	97%	98%	ON TARGET

popular budget plan, to help spread seasonal utility costs more evenly throughout the year.

Expanding our natural gas service to unserved areas provides access to an abundant, domestic and environmentally responsible source of fuel and can make areas viable for development. We added approximately 28,000 new customers in 2017 and are on track to hit our target of sustained annual net growth of 1 percent by 2020.

Growing our customer base supports the sustainability and affordability of our services.

CONTINUED ENVIRONMENTAL PROGRESS

Our operating companies and employees have been part of the communities we serve for generations. With each action we take, we consider the impact on our customers and communities today and in the future.

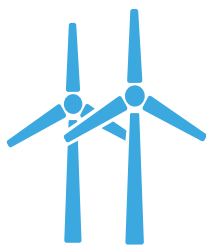
Environmental Impact Targets

BY THE NUMBERS

2025 ESTIMATED REDUCTION TARGETS FROM 2005 LEVELS

NITROGEN OXIDES, SULFUR DIOXIDE & MERCURY	90%	ON TRACK
WATER WITHDRAWAL	90%	ON TRACK
WASTEWATER DISCHARGE	90%	ON TRACK
COAL ASH GENERATED	60%	ON TRACK
CARBON DIOXIDE (FOR ELECTRIC GENERATION)	50%	ON TRACK
METHANE	50%	ON TRACK

See **Sustainability Scorecard** on [NiSource.com/Sustainability](https://www.nisource.com/Sustainability) for more details.



IN 2017, CUSTOMERS GENERATED MORE THAN
114,000 MEGAWATT HOURS
 FROM RENEWABLE RESOURCES, AND MORE THAN
473,000 MEGAWATT HOURS SINCE 2011
(VIA FEED-IN TARIFFS)

Our business plan raises the bar on environmental improvements, including actions to reduce risks and improve our performance. To support this focus, we've identified milestones through 2025 to reduce our methane and electric generation greenhouse gas emissions, water withdrawals, wastewater discharge and coal ash generated. These proactive initiatives, which include retiring half of our coal-fired electric generation fleet by the end of 2023, are expected to reduce emissions to a level

exceeding the goals of the Paris Agreement and the Clean Power Plan.

The impact is significant. In practical terms, we're reducing our greenhouse gas emissions (including methane) to a level equivalent to removing more than 8 million cars from the road annually. The water we'll save equals what 1 million typical households use in a year.

While these targets are aggressive, they are within our reach, and we're already making

Protecting & Appreciating THE ENVIRONMENT



FISHING FOR A GOOD SECOND LIFE

In Kentucky, we donated expired pipe to the Kentucky Department of Fish and Wildlife, as part of its four-year project at Cave Run Lake aimed at improving bass, trout, crappie and bluegill populations.

The project includes submerging trees, stumps, pallets and other wooden structures into the coves of the lake to create habitat for fish to find food, reproduce and hide from predators.

The structures attract small fish that gorge on the algae and aquatic insects that bore into the structures and in turn draw larger predatory fish that feed on the smaller fish.

Project leaders started adding structures made of expired natural gas pipe for the same reasons we use the yellow pipe - it's more durable and flexible than wooden or metal structures.

RESTORING DUNES LEARNING CENTER

We teamed with Indiana Dunes National Park to join the Good Fellow Club Youth Camp Landscape Restoration Project, which began with a planting event at the Dunes Learning Center in Porter, Indiana.

Employees, park personnel, counselors, campers and members of the National Park Service helped assemble a new rain garden with plants specifically chosen to attract pollinators such as bees, birds and butterflies.

This project provided a fun and engaging experience, teaching the importance of protecting and appreciating the environment. The rain garden will play a vital role in preserving local species.

The NiSource Charitable Foundation donated \$50,000 and NIPSCO contributed nearby property so that restoration of the dunes could continue. When completed, the site will offer more opportunities to future campers, students and visitors.

A LONG, WORTHY PROCESS

We've been working to clean up manufactured gas plant (MGP) sites for decades. Addressing environmental issues is often the first step in turning unusable and unsightly spaces into valuable community properties. In Portsmouth, Virginia, a former MGP site became a multiacre park near the riverfront, decked out with naval and coastal artifacts celebrating local history. In Hammond, Indiana, we helped to restore a portion of the Grand Calumet River, and in Northampton, Massachusetts, a former MGP site became a distinctive office building (see right).

It can take as many as 20 years to completely finish a site. Working with state and federal environmental agencies, we've completed 17 of more than 60 sites, with most of the remaining sites in various stages of the clean-up process.



progress toward achieving them. We will file a revised electric generation resource plan, identifying our approach to supporting electric customer demand for the next 20 years, by the end of 2018, following an extensive stakeholder engagement process.

PARTNERS IN OUR COMMUNITIES

The work we do to better serve customers can impact local wildlife habitats – but we are careful to manage the impact in the right way. For example, NIPSCO's major electric transmission line projects are designed to improve service reliability and access to renewable energy, but they can also impact bat, bird and other wildlife habitats. We partnered with three conservation land trusts

in northern Indiana to acquire or restore more than 540 acres of land along reservoirs, rivers and old-growth forest, including partnering with Shirley Heinze Land Trust to restore Lydick Bog, a rare and unique habitat. We value our continued partnerships with these land trusts. Not only will this land be restored, it will be protected and available for the enjoyment of the communities we serve for years to come.

We're also committed to cleaning up sites that are no longer in service. We have made significant progress on the decommissioning of the D.H. Mitchell Generating Station in Gary, Indiana, which ceased operations in 2002, and we're remediating manufactured gas plant (MGP) sites throughout our footprint.

Senior Management Team

JOSEPH HAMROCK President & Chief Executive Officer

DONALD BROWN Executive Vice President & Chief Financial Officer

MIKE FINISSI Executive Vice President, Safety, Capital Execution & Technical Services

CARRIE HIGHTMAN Executive Vice President & Chief Legal Officer

CARL LEVANDER Executive Vice President, Regulatory Policy & Corporate Affairs

VIOLET SISTOVARIS Executive Vice President & President, NIPSCO

PABLO VEGAS Executive Vice President, Gas Business Segment & Chief Customer Officer

MARK KEMPIC Chief Transformation Officer

PETE DISSER Vice President, Audit

SUZANNE SURFACE Vice President, Corporate Services Customer Value

SENIOR MANAGEMENT TEAM WORKFORCE STATS (AS OF DECEMBER 31, 2017)

10 TOTAL: 70% MEN | 30% WOMEN | 20% MINORITIES



MAKING IT POSSIBLE

Before I close, I want to acknowledge that it's our people who power our success. When we completed our annual employee survey in 2017, 95 percent said that they were willing to put in the extra effort to help NiSource meet its goals. Our execution in 2017 reflects that commitment.

This team is also committed to giving back to our communities, demonstrated by the more than 12,000 hours volunteered at local nonprofits and the more than \$6 million in charitable giving, including nearly \$1.3 million from the NiSource Charitable Foundation.

That concern for the community and utility customers extends beyond the boundaries of the NiSource service territory. This was best

exemplified by the team of more than 220 NIPSCO employees and contractors who headed south to Florida to help restore electricity to customers affected by Hurricane Irma.

Following a solid year of performance, we'll continue to get better at creating value for our customers and all stakeholders through improved safety, reliability, affordability and environmental performance.

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

Sincerely,

Joe Hamrock



WORKING TOGETHER TO SERVE OTHERS

Our success depends on being open to new ways of thinking that can help us better serve our customers and be a better community partner.

We've focused our inclusion and diversity efforts on understanding the diverse needs, wants, communication styles and perspectives of our employees, partners and customers.

Our aspiration is to create a workforce that fully represents the diversity of our communities, with leaders who value and leverage our differences and commonalities. We've incorporated diverse recruiting relationships and events into our hiring strategy to help expand our candidate pool.

OUR EMPLOYEES

JOIN TOGETHER TO SERVE OUR
CUSTOMERS AND OTHERS IN
LOCAL COMMUNITIES WHERE
WE LIVE AND WORK

PREPARING OUR FUTURE LEADERS

Leadership development and building a pipeline of future leaders will drive our long-term success.

Our leaders create an environment that supports development and opportunities for all, empowering our employees to drive their careers by sharing their aspirations and seeking feedback.

We follow the widely employed 70:20:10 model for learning, with the philosophy that 70 percent of knowledge comes from on-the-job experiences, 20 percent from relationships and interactions with others and 10 percent from formal education and training. This method reinforces that most learning happens on the job and through informal and formal networks across the





organization. We support employees in developing their potential through a diverse range of course offerings and leadership programs. Here are a few highlights:

The NiSource Mentoring Program: We continue to enhance our pipeline of traditionally underrepresented leaders with the NiSource Mentoring Program. The program focuses on helping to grow, develop and retain high-potential diverse employees by providing networking and mentoring from our senior leaders.

Targeted Development for Diverse Talent: To support the career development of high-performing individual contributors, supervisors or managers who are either female or ethnically diverse, we provide the Targeted Development for Diverse Talent program. Participants are matched with NiSource leaders, acting as career guides, to receive enhanced coaching and support. Participants partner with their career guides to create and work through their career development plans.

Leadership NiSource: Leadership NiSource is our flagship development program for midlevel rising leaders, focusing on strengthening the competencies critical to NiSource's success, including developing others, formulating strategy and leading change.

EMPLOYEE SURVEY RESULTS AND FOLLOW-UP

We measure employee engagement and experience through an annual survey and use the feedback to look for ways to get better.

MENTORSHIP INSPIRES ART

One of NiSource's talented employees, Ismael "Ish" Muhammad Nieves, was so moved by his participation in the NiSource mentoring program that he created a one-of-a-kind work of art (right). Each component of the painting represents the journey that the mentors and mentees go through as part of the program.



Workforce Stats

AS OF DECEMBER 31, 2017

TOTAL EMPLOYEES (These stats do not include employees on leaves of absence.)

8,167 TOTAL: 72% MEN | 28% WOMEN | 14% MINORITIES

TOTAL MANAGEMENT (MANAGER & ABOVE)

759 TOTAL: 71% MEN | 29% WOMEN | 11% MINORITIES

In our most recent survey, we sustained a high level of employee engagement. Survey highlights include:

- **Engagement was rated at 90 percent**, up from 87 percent in 2016
- The **participation rate was 78 percent**, up from 75 percent in 2016
- **Safety continues to be highly rated at 91 percent**, up from 90 percent in 2016
- **88 percent of employees agree or strongly agree that they would recommend NiSource as a great place to work**, up from 83 percent in 2016
- **95 percent of employees agree or strongly**

agree that they are willing to put in the extra effort to help NiSource meet its goals, up from 93 percent in 2016

- **91 percent of employees agree or strongly agree that they are proud to work at NiSource**, up from 88 percent in 2016

COMMITTED TO GIVING BACK

Across NiSource's seven states, we contributed more than \$6 million to nonprofit organizations in 2017, including nearly \$1.3 million in giving by the NiSource Charitable Foundation.

And when disaster strikes, we rise to the occasion. Following Hurricanes Harvey, Maria and Irma in 2017, the NiSource Charitable



INTRODUCE A GIRL TO ENGINEERING

More than 200 girls gathered at our offices in Merrillville, Indiana, and Columbus, Ohio, for Introduce a Girl to Engineering Day. NiSource employees led the girls through STEM-focused activities, panel discussions and tours of our operations to learn more about science, technology engineering and mathematics.

Workforce Stats

AS OF DECEMBER 31, 2017

GENERATIONS

4 TOTAL GENERATIONS REPRESENTED

1% TRADITIONALISTS 1925-1948 | **32%** BABY BOOMERS 1949-1964

29% GENERATION X 1965-1976 | **35%** MILLENNIALS/GEN Y 1977-PRESENT



12,000+
EMPLOYEE VOLUNTEER HOURS
ACROSS OUR SERVICE TERRITORIES

Foundation set up a matching campaign in partnership with the American Red Cross to support employees, customers and community members looking for a reputable avenue to donate to hurricane relief. This fundraising campaign resulted in more than \$140,000 in donations, including approximately \$100,000 from the NiSource Charitable Foundation.

To recognize the vital roles our employees play in their communities, we support the

organizations they are most passionate about. In 2017, more than \$240,000 of the funding provided by the NiSource Charitable Foundation was given in recognition of employee volunteerism through the Dollars for Doers program. This program encourages employees to make a difference in our communities by matching their volunteer hours with a financial contribution up to \$500 per employee to eligible nonprofit organizations. In 2017, NiSource employees

volunteered more than 12,000 hours as part of this program.

Across our company, we're proud to have been recognized as strong community partners and places to work. Twenty seventeen highlights include:

Maintained Dow Jones Sustainability Index (DJSI) status

– Not only did we maintain our status for the fourth consecutive year, we ranked as the second-highest-scoring multiutility on the list and saw improvement in all three dimensions scored by DJSI: Economic, Environmental and Social.

Named a Best Place to Work for LGBTQ Equality

– For the first time, we received a perfect score on the Human Rights Campaign's 2018 Corporate Equality Index, a national benchmarking survey and report on corporate policies and practices related to lesbian, gay, bisexual, transgender and queer (LGBTQ) workplace equality.

Among the world's Top 100 Energy Leaders

– As one of Thomson Reuters' Top 100 Global Energy Leaders, we hit the mark in eight key pillars, ranging from sustainability and commitment to cultivating diversity and maintaining a healthy and safe workplace to more traditional measures of success, such as financial performance and investor confidence.

Named top utility in *Forbes* ranking of America's Best Large Employers

– In our second year appearing on the list, we achieved the top spot among utilities and 61st in the full list of 500. To compile the list, *Forbes* conducted an independent and anonymous online survey of nearly 30,000 workers at companies with at least 1,000 employees in their U.S. operations.

Received the inaugural 'Excellence in Women's Development' award

at the annual Midwest ENERGY Association's (MEA) Energetic Women Conference. This award was created to recognize companies in the utility industry that show leadership and a commitment to diversity and inclusion.

Named a World's Most Ethical Company for sixth consecutive year

– We were one of 124 companies from 19 countries honored for leadership in ethical business standards. This recognition honors companies that lead with integrity and align principle with action. We're proud to share that we've also made this list again in 2018.

Named to the FTSE4Good Index

– Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance (ESG) practices.

Additional Metrics and Data

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



Letter from the Chairman

NISOURCE STAKEHOLDERS:

As I reflect on 2017, I could not be more pleased with how NiSource performed on all dimensions of our commitments, and I am especially proud of the company's relentless focus on driving meaningful progress across all measures of sustainability as they affect our stakeholders, society, the environment and the organization.

Disciplined execution delivered strong results with respect to the safety, reliability and environmental performance of our systems, the service delivered to our customers and communities, and ultimately our financial performance.

On the safety front, NiSource finished its best year ever, with core employee safety metrics improving from industry top quartile to industry top decile. On the customer side, NiSource's utilities improved their customer satisfaction scores during 2017, with several receiving recognition for their progress made. This performance, delivered through the execution of our long-term infrastructure investment strategy, translated into value for customers, employees and communities, and ultimately a return for shareholders that outperformed both of the major utility indices.

In 2017, NiSource also established forward-looking environmental goals for both its electric and natural gas businesses, and it supported increased and consistent disclosure of environmental, social and governance performance across the industry.

Board of Directors

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

KEVIN T. KABAT Vice Chairman of the Board, NiSource Inc. and Retired Vice Chairman & CEO, Fifth Third Bancorp

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

PETER A. ALTABEF President & CEO, Unisys Corporation

ERIC L. BUTLER Retired Executive Vice President, Union Pacific Corporation

ARISTIDES S. CANDRIS Retired President & CEO, Westinghouse

WAYNE S. DEVEYDT Chief Executive Officer, Surgery Partners, Inc.

JOSEPH HAMROCK President & CEO, NiSource Inc.

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

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

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

BOARD OF DIRECTORS WORKFORCE STATS (AS OF MARCH 1, 2018)

11 TOTAL: 82% MEN | 18% WOMEN | 27% MINORITIES

Partnering again with industry peers, NiSource supported a targeted solution in the Tax Cuts and Jobs Act, which lowers costs for customers and supports continued customer-focused system modernization investments. And while it may affect some of NiSource's financing plans as a result of lower cash flow, the Board of Directors and management remain confident in NiSource's financial commitments, including its ability to retain investment grade credit.

Last year, we also welcomed a new member to the Board - Eric Butler. A former executive officer with Union Pacific Corporation, Eric has extensive business experience, including leadership roles in strategic and financial planning, marketing, purchasing and corporate governance. His skills and perspective will be valuable as we continue to execute on our robust long-term utility infrastructure investment plans.

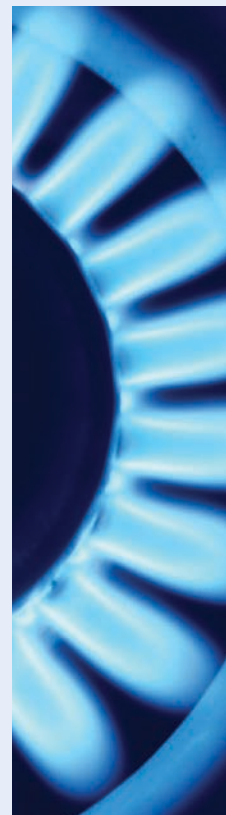
At our January 2018 meeting, the Board voted to add the position of nonexecutive Vice Chairman to assist in leading our talented and dedicated Board. Kevin Kabat, NiSource board member since 2015 and retired CEO of Fifth Third Bancorp, was appointed to this role.

The entire Board remains fully engaged with Joe Hamrock and the leadership team as NiSource works to create continued value for all stakeholders.

Sincerely,



Rich Thompson
Chairman of the Board
NiSource Inc.



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

<i>(in millions, except per share amounts)</i>	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	2017	2016
GAAP Income (Loss) from Continuing Operations	\$ (52.4)	\$ 88.8	\$ 128.6	\$ 328.1
Adjustments to Operating Income:				
Operating Revenues:				
Weather - compared to normal	(6.9)	7.2	30.2	12.4
Operating Expenses:				
Plant retirement costs ⁽¹⁾	-	22.1	1.5	22.1
IT service provider transition costs ⁽²⁾	8.3	-	21.6	-
Transaction costs ⁽³⁾	-	0.3	-	2.5
Loss (gain) on sale of assets and impairments, net	0.1	(0.6)	-	(1.0)
Total adjustments to operating income	1.5	29.0	53.3	36.0
Other Income (Deductions):				
Loss on early extinguishment of long-term debt	-	-	111.5	-
Income Taxes:				
Tax effect of above items	0.1	(10.2)	(57.0)	(12.9)
Income taxes - discrete items ⁽⁴⁾	161.1	-	161.1	-
Total adjustments to income from continuing operations	162.7	18.8	268.9	23.1
Net Operating Earnings (Non-GAAP)	\$ 110.3	\$ 107.6	\$ 397.5	\$ 351.2
Basic Average Common Shares Outstanding	337.5	322.9	329.4	321.8
GAAP Basic Earnings (Loss) Per Share From Continuing Operations	\$ (0.16)	\$ 0.28	\$ 0.39	\$ 1.02
Adjustment to Basic Earnings per Share from Continuing Operations	0.49	0.05	0.82	0.07
Non-GAAP Basic Net Operating Earnings Per Share	\$ 0.33	\$ 0.33	\$ 1.21	\$ 1.09

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

⁽²⁾ Represents contract termination costs and external legal and consulting costs associated with termination of the IBM IT services agreement and the transition to a new multi-vendor strategy for IT service delivery.

⁽³⁾ Represents costs incurred associated with the separation of Columbia Pipeline Group, Inc.

⁽⁴⁾ Represents the impact of adopting the provisions of the Tax Cuts and Jobs Act of 2017.

Stockholder Information

FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements,” within the meaning of the federal securities laws. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. Examples of forward-looking statements include, but are not limited to, statements concerning NiSource’s plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, and any and all underlying assumptions and other statements that are other than statements of historical fact. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially. Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this report include, among other things, NiSource’s debt obligations; any changes to the credit rating of NiSource or certain of its subsidiaries; NiSource’s ability to execute its growth strategy; changes in general economic, capital and commodity market conditions; pension funding obligations; economic regulation and the impact of regulatory rate reviews; NiSource’s ability to obtain expected financial or regulatory outcomes; any damage to NiSource’s reputation; compliance with environmental laws and the costs of associated liabilities; fluctuations in demand from residential and commercial customers; economic conditions of certain industries; the success of NIPSCO’s electric generation strategy; the price of energy commodities and related transportation costs; the reliability of customers and suppliers to fulfill their payment and contractual obligations; potential impairments of goodwill or definite-lived intangible assets; changes in taxation and accounting principles; potential incidents and other operating risks associated with NiSource’s business; the impact of an aging infrastructure; the impact of climate change; potential cyber-attacks; construction risks and natural gas costs and supply risks; extreme weather conditions; the attraction and retention of a qualified workforce; advances in technology; the ability of NiSource’s subsidiaries to generate cash; uncertainties related to the expected benefits of the Separation; the ability of NiSource to manage new initiatives and organizational changes; the performance of certain third-party suppliers upon which NiSource relies; NiSource’s ability to obtain sufficient insurance coverage; and other matters set forth in Item 1A, “Risk Factors” of the accompanying Annual Report on Form 10-K for the year ended December 31, 2017, many of which risks are beyond the control of NiSource. In addition, the relative contributions to profitability by each business segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

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

REGULATION G DISCLOSURE STATEMENT

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

ANTICIPATED DIVIDEND RECORD & PAYMENT DATES - NI COMMON STOCK

RECORD DATE	PAYMENT DATE
04/30/18	05/18/18
07/31/18	08/20/18
10/31/18	11/20/18
02/11/19	02/20/19

COMMON STOCK DIVIDEND DECLARED

On February 20, 2018, the company paid a quarterly dividend of \$0.195 per share, equivalent to \$0.78 per share on an annual basis.

INVESTOR & FINANCIAL INFORMATION

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

Copies of NiSource’s financial reports are available by writing or calling the Investor Relations department at the address or phone number listed above. The materials are also available at NiSource.com.

STOCKHOLDER SERVICES

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

Computershare

c/o Shareholder Services
P. O. Box 505000
Louisville, KY 40233-5000

or
c/o Shareholder Services
462 South 4th Street, Suite 1600
Louisville, KY 40202

(888) 884-7790

TDD for Hearing Impaired: (800) 231-5469

Foreign Stockholders: (201) 680-6578

TDD Foreign Stockholders: (201) 680-6610

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