

COLUMBIA GAS OF PENNSYLVANIA, INC.

Schedules to Accompany

The Direct Testimony

of

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Concerning

Cost of Capital

and

Fair Rate of Return

COLUMBIA GAS OF PENNSYLVANIA, INC.
Index of Schedules

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Columbia Gas of Pennsylvania, Inc.
Summary Cost of Capital

<u>Type of Capital</u>	<u>Ratios</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long-Term Debt	43.23%	4.51%	1.95%
Short Term Debt	2.39%	1.65%	0.04%
Total Debt	<u>45.62%</u>		<u>1.99%</u>
Common Equity	<u>54.38%</u>	11.20%	<u>6.09%</u>
Total	<u>100.00%</u>		<u>8.08%</u>

Indicated levels of fixed charge coverage assuming that the Company could actually achieve its overall cost of capital:

Pre-tax coverage of interest expense based upon a 28.8921% income tax rate (10.55% ÷ 1.99%)	5.30 x
Post-tax coverage of interest expense (8.08% ÷ 1.99%)	4.06 x

Columbia Gas of Pennsylvania, Inc.

Cost of Equity
as of December 31, 2021

Discounted Cash Flow (DCF)	D_1/P_0	+	g	+	$lev.$	=	k	
Gas Group	3.68%	+	6.75%	+	0.99%	=	11.42%	
Risk Premium (RP)			I	+	RP	=	k	
Gas Group			3.75%	+	6.75%	=	10.50%	
Capital Asset Pricing Model (CAPM)	Rf	+	β	$\times (Rm - Rf)$	+	$size$	=	k
Gas Group	2.75%	+	1.00	$\times (9.68\%)$	+	1.02%	=	13.45%
Comparable Earnings (CE) ⁽¹⁰⁾			Historical		Forecast		Average	
Comparable Earnings Group			12.1%		12.8%		12.45%	

References: (1) Schedule 07

(2) Schedule 09

(3) Schedule 10

(4) A-rated public utility bond yield comprised of a 2.75% risk-free rate of return (Schedule 14 page 2) and a yield spread of 1.00% (Schedule 12 page 3)

(5) Schedule 12 page 1

(6) Schedule 13 page 2

(7) Schedule 10

(8) Schedule 13 page 2

(9) Schedule 13 page 3

(10) Schedule 14 page 2

Columbia Gas of Pennsylvania, Inc.
Capitalization and Financial Statistics
2016-2020, Inclusive

	2020	2019	2018	2017	2016	
	(Millions of Dollars)					
Amount of Capital Employed						
Permanent Capital	\$ 2,020.5	\$ 1,768.9	\$ 1,591.9	\$ 1,361.1	\$ 1,210.3	
Short-Term Debt	\$ 25.8	\$ 46.5	\$ 51.5	\$ 37.8	\$ 33.4	
Total Capital	<u>\$ 2,046.3</u>	<u>\$ 1,815.5</u>	<u>\$ 1,643.4</u>	<u>\$ 1,398.9</u>	<u>\$ 1,243.7</u>	
Capital Structure Ratios						
Based on Permanent Capital:						<u>Average</u>
Long-Term Debt	44.3%	44.4%	44.3%	46.0%	44.7%	44.7%
Common Equity ⁽¹⁾	55.7%	55.6%	55.7%	54.0%	55.3%	55.3%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Based on Total Capital:						
Total Debt incl. Short Term	45.0%	45.8%	46.1%	47.4%	46.1%	46.1%
Common Equity ⁽¹⁾	55.0%	54.2%	53.9%	52.6%	53.9%	53.9%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Rate of Return on Book Common Equity ⁽¹⁾	8.2%	10.4%	13.0%	9.4%	10.5%	10.3%
Operating Ratio ⁽²⁾	72.9%	72.9%	72.9%	76.3%	73.3%	73.7%
Coverage incl. AFUDC ⁽³⁾						
Pre-tax: All Interest Charges	3.59 x	4.18 x	4.52 x	4.21 x	4.63 x	4.23 x
Post-tax: All Interest Charges	3.05 x	3.48 x	3.96 x	3.01 x	3.28 x	3.36 x
Coverage excl. AFUDC ⁽³⁾						
Pre-tax: All Interest Charges	3.57 x	4.16 x	4.49 x	4.18 x	4.61 x	4.20 x
Post-tax: All Interest Charges	3.04 x	3.46 x	3.93 x	2.99 x	3.26 x	3.34 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	0.8%	1.0%	0.8%	1.1%	1.0%	0.9%
Effective Income Tax Rate	20.7%	21.9%	15.9%	37.2%	37.1%	26.6%
Internal Cash Generation/Construction ⁽⁴⁾	56.5%	56.8%	66.1%	59.5%	66.7%	61.1%
Gross Cash Flow/ Avg. Total Debt ⁽⁵⁾	20.0%	22.6%	23.9%	25.4%	28.4%	24.1%
Gross Cash Flow Interest Coverage ⁽⁶⁾	4.16 x	4.61 x	4.75 x	4.82 x	5.32 x	4.73 x

See Page 2 for Notes.

Columbia Gas of Pennsylvania, Inc.
Capitalization and Financial Statistics
2016-2020, Inclusive

Notes:

- (1) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account.
- (2) Total operating expenses, maintenance, depreciation and taxes other than income as a percentage of operating revenues.
- (3) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
- (4) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
- (5) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less AFUDC) as a percentage of average total debt.
- (6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
- (7) Common dividend coverage is the relationship of internally generated funds from operations after payment of preferred stock dividends to common dividends paid.

Source of Information: Company provided Financial Statements

Gas Group
Capitalization and Financial Statistics ⁽¹⁾
2016-2020, Inclusive

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	
	(Millions of Dollars)					
Amount of Capital Employed						
Permanent Capital	\$ 5,894.0	\$ 5,169.4	\$ 4,698.4	\$ 4,133.8	\$ 3,746.8	
Short-Term Debt	\$ 319.8	\$ 553.3	\$ 499.2	\$ 402.2	\$ 393.6	
Total Capital	<u>\$ 6,213.8</u>	<u>\$ 5,722.7</u>	<u>\$ 5,197.6</u>	<u>\$ 4,536.0</u>	<u>\$ 4,140.4</u>	
Market-Based Financial Ratios						<u>Average</u>
Price-Earnings Multiple	23 x	26 x	20 x	22 x	22 x	23 x
Market/Book Ratio	185.6%	222.5%	217.6%	224.2%	201.9%	210.4%
Dividend Yield	3.2%	2.7%	2.8%	2.6%	2.8%	2.8%
Dividend Payout Ratio	74.5%	71.9%	52.4%	53.3%	60.7%	62.6%
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	50.2%	48.3%	47.9%	47.1%	45.0%	47.7%
Preferred Stock	1.6%	1.5%	1.0%	0.0%	0.1%	0.8%
Common Equity ⁽²⁾	48.2%	50.3%	51.1%	52.9%	54.9%	51.5%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Based on Total Capital:						
Total Debt incl. Short Term	53.9%	53.4%	53.4%	53.0%	50.5%	52.8%
Preferred Stock	1.5%	1.3%	0.9%	0.0%	0.1%	0.7%
Common Equity ⁽²⁾	44.6%	45.3%	45.7%	47.0%	49.5%	46.4%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Rate of Return on Book Common Equity ⁽²⁾	8.8%	8.7%	10.0%	8.0%	9.2%	8.9%
Operating Ratio ⁽³⁾	82.6%	83.6%	84.6%	84.1%	83.0%	83.6%
Coverage incl. AFUDC ⁽⁴⁾						
Pre-tax: All Interest Charges	3.99 x	3.80 x	3.65 x	4.22 x	4.88 x	4.11 x
Post-tax: All Interest Charges	3.47 x	3.38 x	3.47 x	3.31 x	3.58 x	3.44 x
Overall Coverage: All Int. & Pfd. Div.	3.43 x	3.34 x	3.47 x	3.31 x	3.58 x	3.43 x
Coverage excl. AFUDC ⁽⁴⁾						
Pre-tax: All Interest Charges	3.89 x	3.74 x	3.60 x	4.19 x	4.82 x	4.05 x
Post-tax: All Interest Charges	3.36 x	3.31 x	3.42 x	3.27 x	3.52 x	3.38 x
Overall Coverage: All Int. & Pfd. Div.	3.32 x	3.27 x	3.42 x	3.27 x	3.52 x	3.36 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	3.3%	3.0%	3.2%	-5.2%	2.3%	1.3%
Effective Income Tax Rate	19.7%	14.9%	15.6%	39.7%	33.6%	24.7%
Internal Cash Generation/Construction ⁽⁵⁾	53.5%	48.7%	46.7%	59.5%	71.6%	56.0%
Gross Cash Flow/ Avg. Total Debt ⁽⁶⁾	18.0%	18.3%	18.4%	21.4%	23.7%	20.0%
Gross Cash Flow Interest Coverage ⁽⁷⁾	6.95 x	6.25 x	6.05 x	6.69 x	7.35 x	6.66 x
Common Dividend Coverage ⁽⁸⁾	3.84 x	3.86 x	3.63 x	4.21 x	4.60 x	4.03 x

See Page 2 for Notes.

Gas Group
Capitalization and Financial Statistics
2016-2020, Inclusive

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
- (2) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account.
- (3) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
- (4) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
- (5) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
- (6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
- (7) Gross Cash Flow plus interest charges divided by interest charges.
- (8) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Basis of Selection:

The Gas Group includes companies that are contained in The Value Line Investment Survey within the industry group "Natural Gas Utility," they are not currently the target of a publicly-announced merger or acquisition, and after eliminating UGI Corp. due to its highly diversified businesses.

Ticker	Company	Corporate Credit Ratings		Stock Traded	Value Line Beta
		Moody's	S&P		
ATO	Atmos Energy Corp.	A1	A-	NYSE	0.80
CPK	Chesapeake Utilities Corp.	NAIC "1"		NYSE	0.80
NJR	New Jersey Resources Corp.	A1	-	NYSE	1.00
NI	NiSource Inc.	Baa2	BBB+	NYSE	0.85
NWN	Northwest Natural Holding Comp:	Baa1	A+	NYSE	0.85
OGS	ONE Gas, Inc.	A3	BBB+	NYSE	0.80
SJI	South Jersey Industries, Inc.	A3	BBB	NYSE	1.05
SWX	Southwest Gas Holdings, Inc.	Baa1	A-	NYSE	0.95
SR	Spire, Inc.	A1	A-	NYSE	0.85
	Average	<u>A3</u>	<u>A-</u>		<u>0.88</u>

Note: Ratings are those of utility subsidiaries

Source of Information: Annual Reports to Shareholders
Utility COMPUSTAT
Moody's Investors Service
Standard & Poor's Corporation

Standard & Poor's Public Utilities
Capitalization and Financial Statistics ⁽¹⁾
2016-2020, Inclusive

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	
	(Millions of Dollars)					
Amount of Capital Employed						
Permanent Capital	\$ 38,743.7	\$ 36,461.6	\$ 32,871.6	\$ 30,827.6	\$ 29,173.1	
Short-Term Debt	\$ 1,154.5	\$ 1,221.9	\$ 1,420.3	\$ 1,076.1	\$ 1,032.2	
Total Capital	<u>\$ 39,898.2</u>	<u>\$ 37,683.5</u>	<u>\$ 34,291.9</u>	<u>\$ 31,903.7</u>	<u>\$ 30,205.3</u>	
Market-Based Financial Ratios						
Price-Earnings Multiple	22 x	20 x	21 x	20 x	21 x	<u>Average</u> 21 x
Market/Book Ratio	218.5%	221.3%	204.7%	214.4%	196.0%	211.0%
Dividend Yield	3.6%	3.2%	3.5%	3.3%	3.5%	3.4%
Dividend Payout Ratio	77.8%	62.7%	68.7%	65.2%	74.6%	69.8%
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	58.1%	56.7%	55.0%	56.8%	56.6%	56.6%
Preferred Stock	2.6%	2.4%	2.5%	1.4%	1.9%	2.1%
Common Equity ⁽²⁾	39.4%	41.0%	42.5%	41.8%	41.6%	41.3%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Based on Total Capital:						
Total Debt incl. Short Term	59.4%	58.1%	57.0%	58.4%	58.2%	58.2%
Preferred Stock	2.5%	2.3%	2.4%	1.4%	1.8%	2.1%
Common Equity ⁽²⁾	38.1%	39.6%	40.7%	40.3%	40.1%	39.7%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Rate of Return on Book Common Equity ⁽²⁾	10.2%	10.3%	10.3%	10.8%	9.7%	10.3%
Operating Ratio ⁽³⁾	79.8%	79.3%	79.8%	77.0%	78.2%	78.8%
Coverage incl. AFUDC ⁽⁴⁾						
Pre-tax: All Interest Charges	2.80 x	3.05 x	2.94 x	3.42 x	3.38 x	3.12 x
Post-tax: All Interest Charges	2.60 x	3.10 x	2.59 x	2.86 x	2.55 x	2.74 x
Overall Coverage: All Int. & Pfd. Div.	2.56 x	3.04 x	2.55 x	2.84 x	2.52 x	2.70 x
Coverage excl. AFUDC ⁽⁴⁾						
Pre-tax: All Interest Charges	2.70 x	2.95 x	2.84 x	3.31 x	3.28 x	3.02 x
Post-tax: All Interest Charges	2.50 x	3.00 x	2.48 x	2.75 x	2.44 x	2.63 x
Overall Coverage: All Int. & Pfd. Div.	2.46 x	2.94 x	2.44 x	2.73 x	2.41 x	2.60 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	6.8%	6.0%	7.3%	7.3%	6.5%	6.8%
Effective Income Tax Rate	10.2%	12.2%	19.0%	28.2%	29.0%	19.7%
Internal Cash Generation/Construction ⁽⁵⁾	58.6%	65.9%	66.2%	78.7%	78.0%	69.5%
Gross Cash Flow/ Avg. Total Debt ⁽⁶⁾	15.9%	17.5%	17.4%	19.9%	20.5%	18.2%
Gross Cash Flow Interest Coverage ⁽⁷⁾	4.90 x	4.97 x	4.98 x	5.57 x	5.54 x	5.19 x
Common Dividend Coverage ⁽⁸⁾	3.52 x	5.56 x	4.80 x	4.33 x	4.31 x	4.50 x

See Page 2 for Notes.

Standard & Poor's Public Utilities
Capitalization and Financial Statistics
2016-2020, Inclusive

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
- (2) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account
- (3) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
- (4) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
- (5) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
- (6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) as a percentage of average total debt.
- (7) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
- (8) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Source of Information: Annual Reports to Shareholders
Utility COMPUSTAT

Standard & Poor's Public Utilities
Company Identities

	Ticker	Credit Rating ⁽¹⁾		Common Stock Traded	Value Line Beta
		Moody's	S&P		
Alliant Energy Corporation	LNT	Baa1	A-	NYSE	0.85
Ameren Corporation	AEE	Baa1	BBB+	NYSE	0.85
American Electric Power	AEP	Baa1	A-	NYSE	0.75
American Water Works	AWK	Baa1	A	NYSE	0.85
CenterPoint Energy	CNP	Baa1	BBB+	NYSE	1.15
CMS Energy	CMS	A3	A-	NYSE	0.80
Consolidated Edison	ED	Baa1	A-	NYSE	0.75
Dominion Energy	D	A2	BBB+	NYSE	0.80
DTE Energy Co.	DTE	A2	A-	NYSE	0.95
Duke Energy	DUK	A1	BBB+	NYSE	0.85
Edison Int'l	EIX	Baa2	BBB	NYSE	0.95
Entergy Corp.	ETR	Baa1	A-	NYSE	0.95
Evergy, Inc.	EVRG	Baa1	A-	NYSE	1.00
Eversource	ES	A3	A	NYSE	0.90
Exelon Corp.	EXC	A2	BBB+	NYSE	0.95
FirstEnergy Corp.	FE	A3	BB+	NYSE	0.85
NextEra Energy Inc.	NEE	A1	A	NYSE	0.90
NiSource Inc.	NI	Baa2	BBB+	NYSE	0.85
NRG Energy Inc.	NRG	Ba1	BB+	NYSE	1.25
Pinnacle West Capital	PNW	A2	A-	NYSE	0.90
PPL Corp.	PPL	A3	A-	NYSE	1.15
Public Serv. Enterprise Inc.	PEG	A2	A-	NYSE	0.90
Sempra Energy	SRE	Baa1	BBB+	NYSE	1.00
Southern Co.	SO	Baa1	A-	NYSE	0.90
WEC Energy Corp.	WEC	A2	A-	NYSE	0.80
Xcel Energy Inc	XEL	A2	A-	NYSE	0.80
Average for S&P Utilities		<u>A3</u>	<u>BBB+</u>		<u>0.91</u>

Note: ⁽¹⁾ Ratings are those of utility subsidiaries

Source of Information: SNL Financial LLC
Standard & Poor's Stock Guide
Value Line Investment Survey for Windows

Columbia Gas of Pennsylvania, Inc.

Investor-provided Capitalization

Actual at November 30, 2021, Estimated at November 30, 2022, and Estimated at December 31, 2023

	<u>Actual at November 30, 2021</u>		<u>Estimated at November 30, 2022</u>		<u>Estimated at December 31, 2023</u>	
	<u>Amount Outstanding</u>	<u>Ratios</u>	<u>Amount Outstanding</u>	<u>Ratios</u>	<u>Amount Outstanding</u>	<u>Ratios</u>
Long Term Debt	<u>\$ 985,515,000</u>	<u>42.44%</u>	<u>\$1,075,515,000</u>	<u>41.63%</u>	<u>\$1,285,515,000</u>	<u>43.23%</u>
Common Stock Equity						
Common Stock	45,127,800		45,127,800		45,127,800	
Additional Paid in Capital	167,889,827		192,889,827		192,889,827	
Retained Earnings	<u>1,050,286,782</u>		<u>1,194,983,419</u>		<u>1,378,894,330</u>	
Total Common Equity	<u>1,263,304,409</u>	<u>54.40%</u>	<u>1,433,001,046</u>	<u>55.46%</u>	<u>1,616,911,957</u>	<u>54.38%</u>
Total Permanent Capital	<u>\$2,248,819,409</u>	<u>96.84%</u>	<u>\$2,508,516,046</u>	<u>97.09%</u>	<u>\$2,902,426,957</u>	<u>97.61%</u>
Short Term Debt (Twelve month average)	<u>73,462,270</u>	<u>3.16%</u>	<u>75,169,367</u>	<u>2.91%</u>	<u>70,990,491</u>	<u>2.39%</u>
Total Capital Employed	<u><u>\$2,322,281,679</u></u>	<u><u>100.00%</u></u>	<u><u>\$2,583,685,413</u></u>	<u><u>100.00%</u></u>	<u><u>\$2,973,417,448</u></u>	<u><u>100.00%</u></u>

Source of information: Company provided data

Columbia Gas of Pennsylvania, Inc.

Long-term Debt Outstanding
Actual at November 30, 2021

<u>Date of Issuance</u>	<u>Coupon Rate</u>	<u>Amount Outstanding</u>	<u>Annualized Debt Service</u>	<u>Embedded Cost of Debt</u>
November 28, 2005	5.920%	\$ 54,515,000	\$ 3,227,288	
December 14, 2007	6.865%	58,000,000	3,981,700	
December 16, 2010	6.020%	28,000,000	1,685,600	
March 28, 2012	5.355%	30,000,000	1,606,500	
March 28, 2012	5.890%	35,000,000	2,061,500	
November 28, 2012	5.260%	65,000,000	3,419,000	
June 9, 2013	5.530%	23,000,000	1,271,900	
December 18, 2013	6.290%	32,000,000	2,012,800	
December 18, 2014	4.430%	30,000,000	1,329,000	
March 1, 2015	4.150%	60,000,000	2,490,000	
September 1, 2015	4.505%	60,000,000	2,703,060	
March 1, 2016	4.186%	45,000,000	1,883,610	
January 31, 2017	4.439%	85,000,000	3,772,810	
June 30, 2018	4.528%	80,000,000	3,622,320	
November 30, 2019	3.687%	80,000,000	2,949,600	
March 31, 2020	3.8716%	110,000,000	4,258,760	
March 31, 2021	3.6521%	110,000,000	4,017,310	
Total Long-Term Debt		985,515,000	46,292,758	4.70%
Short Term Debt (Twelve month average)	0.1300%	73,462,270	95,501	
Total Debt		<u>\$ 1,058,977,270</u>	<u>\$ 46,388,259</u>	4.38%

Source of information: Company provided data

Columbia Gas of Pennsylvania, Inc.

Long-term Debt Outstanding
Estimated at November 30, 2022

<u>Date of Issuance</u>	<u>Coupon Rate</u>	<u>Amount Outstanding</u>	<u>Annualized Debt Service</u>	<u>Embedded Cost of Debt</u>
November 28, 2005	5.920%	\$ 54,515,000	\$ 3,227,288	
December 14, 2007	6.865%	58,000,000	3,981,700	
December 16, 2010	6.020%	28,000,000	1,685,600	
March 28, 2012	5.355%	30,000,000	1,606,500	
March 28, 2012	5.890%	35,000,000	2,061,500	
November 28, 2012	5.260%	65,000,000	3,419,000	
June 9, 2013	5.530%	23,000,000	1,271,900	
December 18, 2013	6.290%	32,000,000	2,012,800	
December 18, 2014	4.430%	30,000,000	1,329,000	
March 1, 2015	4.150%	60,000,000	2,490,000	
September 1, 2015	4.505%	60,000,000	2,703,060	
March 1, 2016	4.186%	45,000,000	1,883,610	
January 31, 2017	4.439%	85,000,000	3,772,810	
June 30, 2018	4.528%	80,000,000	3,622,320	
November 30, 2019	3.687%	80,000,000	2,949,600	
March 31, 2020	3.8716%	110,000,000	4,258,760	
March 31, 2021	3.6521%	110,000,000	4,017,310	
December 31, 2021	3.2671%	50,000,000	1,633,550	
June 30, 2022	3.8000%	40,000,000	1,520,000	
Total Long-Term Debt		1,075,515,000	49,446,308	4.60%
Short Term Debt (Twelve month average)	0.8400%	75,169,367	631,423	
Total Debt		<u>\$ 1,150,684,367</u>	<u>\$ 50,077,731</u>	4.35%

Source of information: Company provided data

Columbia Gas of Pennsylvania, Inc.

Long-term Debt Outstanding
Estimated at December 31, 2023

<u>Date of Issuance</u>	<u>Coupon Rate</u>	<u>Amount Outstanding</u>	<u>Annualized Debt Service</u>	<u>Embedded Cost of Debt</u>
November 28, 2005	5.920%	\$ 54,515,000	\$ 3,227,288	
December 14, 2007	6.865%	58,000,000	3,981,700	
December 16, 2010	6.020%	28,000,000	1,685,600	
March 28, 2012	5.355%	30,000,000	1,606,500	
March 28, 2012	5.890%	35,000,000	2,061,500	
November 28, 2012	5.260%	65,000,000	3,419,000	
June 9, 2013	5.530%	23,000,000	1,271,900	
December 18, 2013	6.290%	32,000,000	2,012,800	
December 18, 2014	4.430%	30,000,000	1,329,000	
March 1, 2015	4.150%	60,000,000	2,490,000	
September 1, 2015	4.505%	60,000,000	2,703,060	
March 1, 2016	4.186%	45,000,000	1,883,610	
January 31, 2017	4.439%	85,000,000	3,772,810	
June 30, 2018	4.528%	80,000,000	3,622,320	
November 30, 2019	3.687%	80,000,000	2,949,600	
March 31, 2020	3.8716%	110,000,000	4,258,760	
March 31, 2021	3.6521%	110,000,000	4,017,310	
December 31, 2021	3.2671%	50,000,000	1,633,550	
June 30, 2022	3.8000%	40,000,000	1,520,000	
December 31, 2022	3.9500%	85,000,000	3,357,500	
June 30, 2023	4.1000%	30,000,000	1,230,000	
December 31, 2023	4.2000%	95,000,000	3,990,000	
Total Long-Term Debt		1,285,515,000	58,023,808	4.51%
Short Term Debt (Twelve month average)	1.6500%	70,990,491	1,171,343	
Total Debt		<u>\$ 1,356,505,491</u>	<u>\$ 59,195,151</u>	4.36%

Source of information: Company provided data

**Monthly Dividend Yields for
Natural Gas Group
for the Twelve Months Ending December 2021**

<u>Company</u>	<u>Jan-21</u>	<u>Feb-21</u>	<u>Mar-21</u>	<u>Apr-21</u>	<u>May-21</u>	<u>Jun-21</u>	<u>Jul-21</u>	<u>Aug-21</u>	<u>Sep-21</u>	<u>Oct-21</u>	<u>Nov-21</u>	<u>Dec-21</u>	<u>12-Month Average</u>	<u>6-Month Average</u>	<u>3-Month Average</u>
Atmos Energy Corp (ATO)	2.82%	2.96%	2.54%	2.42%	2.52%	2.61%	2.55%	2.57%	2.84%	2.97%	3.01%	2.60%			
Chesapeake Utilities Corp (CPK)	1.74%	1.67%	1.52%	1.62%	1.68%	1.60%	1.54%	1.47%	1.60%	1.47%	1.51%	1.32%			
New Jersey Resources Corporation (NJR)	3.82%	3.41%	3.34%	3.18%	3.13%	3.37%	3.78%	3.92%	4.17%	3.85%	3.97%	3.54%			
NiSource Inc (NI)	4.01%	4.08%	3.67%	3.38%	3.46%	3.61%	3.55%	3.58%	3.65%	3.57%	3.60%	3.21%			
Northwest Natural Holding Company (NWN)	4.11%	4.01%	3.58%	3.56%	3.64%	3.68%	3.67%	3.74%	4.21%	4.28%	4.49%	3.98%			
ONE Gas Inc (OGS)	3.19%	3.47%	3.03%	2.90%	3.13%	3.14%	3.17%	3.24%	3.68%	3.47%	3.58%	3.00%			
South Jersey Industries Inc (SJI)	5.28%	4.87%	5.37%	4.92%	4.58%	4.68%	4.84%	4.93%	5.71%	5.49%	5.34%	4.76%			
Southwest Gas Holdings Inc (SWX)	3.83%	3.66%	3.33%	3.44%	3.61%	3.61%	3.43%	3.39%	3.58%	3.46%	3.62%	3.41%			
Spire Inc. (SR)	4.27%	3.95%	3.53%	3.47%	3.66%	3.60%	3.68%	3.93%	4.26%	4.39%	4.63%	4.21%			
Average	3.67%	3.56%	3.32%	3.21%	3.27%	3.32%	3.36%	3.42%	3.74%	3.66%	3.75%	3.34%	3.47%	3.55%	3.58%

Note: Monthly dividend yields are calculated by dividing the annualized quarterly dividend by the month-end closing stock price adjusted by the fraction of the ex-dividend.

Source of Information: <https://finance.yahoo.com/quote>
<https://www.nasdaq.com/market-activity/stocks>

Forward-looking Dividend Yield	1/2 Growth	D_0/P_0	(.5g)	D_1/P_0	$K = \frac{D_0(1+g)^0 + D_0(1+g)^1 + D_0(1+g)^2 + D_0(1+g)^3}{P_0} + g$
		3.55%	1.033750	3.67%	
	Discrete	D_0/P_0	Adj.	D_1/P_0	$K = \frac{D_0(1+g)^{25} + D_0(1+g)^{50} + D_0(1+g)^{75} + D_0(1+g)^{100}}{P_0} + g$
		3.55%	1.041843	3.70%	
	Quarterly	D_0/P_0	Adj.	D_1/P_0	$K = \left[\left(1 + \frac{D_0(1+g)^{25}}{P_0} \right)^4 - 1 \right] + g$
		0.8875%	1.016464	<u>3.66%</u>	
	Average			<u>3.68%</u>	
	Growth rate			<u>6.75%</u>	
	K			<u>10.43%</u>	

Historical Growth Rates
Earnings Per Share, Dividends Per Share,
Book Value Per Share, and Cash Flow Per Share

Gas Group	Earnings per Share		Dividends per Share		Book Value per Share		Cash Flow per Share	
	Value Line		Value Line		Value Line		Value Line	
	5 Year	10 Year	5 Year	10 Year	5 Year	10 Year	5 Year	10 Year
Atmos Energy Corp (ATO)	9.00%	8.00%	7.50%	5.00%	10.00%	7.50%	7.00%	5.50%
Chesapeake Utilities Corp (CPK)	9.00%	9.50%	7.50%	6.50%	11.00%	9.50%	7.50%	9.50%
New Jersey Resources Corporation (NJR)	5.50%	6.00%	6.50%	7.00%	8.50%	7.50%	7.00%	7.00%
NiSource Inc (NI)	0.50%	2.00%	-3.00%	-1.50%	-5.00%	-3.00%	-	-0.50%
Northwest Natural Holding Company (NWN)	1.50%	-1.50%	0.50%	1.50%	-	1.00%	1.50%	0.50%
ONE Gas Inc (OGS)	10.00%	-	14.50%	-	3.00%	-	8.00%	-
South Jersey Industries Inc (SJI)	-1.50%	1.50%	4.00%	6.50%	2.50%	5.50%	3.00%	4.50%
Southwest Gas Holdings Inc (SWX)	5.50%	7.50%	8.00%	8.50%	7.00%	6.00%	1.50%	4.00%
Spire Inc. (SR)	4.50%	1.50%	6.00%	4.50%	5.50%	7.00%	8.50%	4.50%
Average	<u>4.89%</u>	<u>4.31%</u>	<u>5.72%</u>	<u>4.75%</u>	<u>5.31%</u>	<u>5.13%</u>	<u>5.50%</u>	<u>4.38%</u>

Source of Information: Value Line Investment Survey, November 26, 2021

Analysts' Five-Year Projected Growth Rates
Earnings Per Share, Dividends Per Share,
Book Value Per Share, and Cash Flow Per Share

<u>Gas Group</u>	<u>I/B/E/S First Call</u>	<u>Zacks</u>	<u>Value Line</u>				
			<u>Earnings Per Share</u>	<u>Dividends Per Share</u>	<u>Book Value Per Share</u>	<u>Cash Flow Per Share</u>	<u>Percent Retained to Common Equity</u>
Atmos Energy Corp (ATO)	7.20%	7.30%	7.00%	7.50%	10.50%	6.50%	3.50%
Chesapeake Utilities Corp (CPK)	4.74%	NA	8.50%	8.00%	6.50%	9.50%	7.50%
New Jersey Resources Corporation	6.00%	7.10%	1.50%	5.50%	5.50%	2.50%	3.00%
NiSource Inc (NI)	3.52%	6.70%	8.50%	4.50%	4.50%	5.50%	5.50%
Northwest Natural Holding Compan	5.70%	5.00%	5.50%	0.50%	8.50%	4.00%	2.50%
ONE Gas Inc (OGS)	2.90%	5.00%	6.50%	7.00%	10.50%	6.00%	3.00%
South Jersey Industries Inc (SJI)	5.20%	5.60%	11.50%	4.50%	4.50%	6.00%	6.00%
Southwest Gas Holdings Inc (SWX)	4.00%	5.50%	9.50%	4.50%	9.00%	9.00%	5.00%
Spire Inc. (SR)	7.31%	5.30%	10.00%	4.50%	7.50%	8.00%	3.00%
Average	<u>5.17%</u>	<u>5.94%</u>	<u>7.61%</u>	<u>5.17%</u>	<u>7.44%</u>	<u>6.33%</u>	<u>4.33%</u>

Source of Information :
 Yahoo Finance, December 21, 2021
 Zacks, December 21, 2021
 Value Line Investment Survey, November 26, 2021

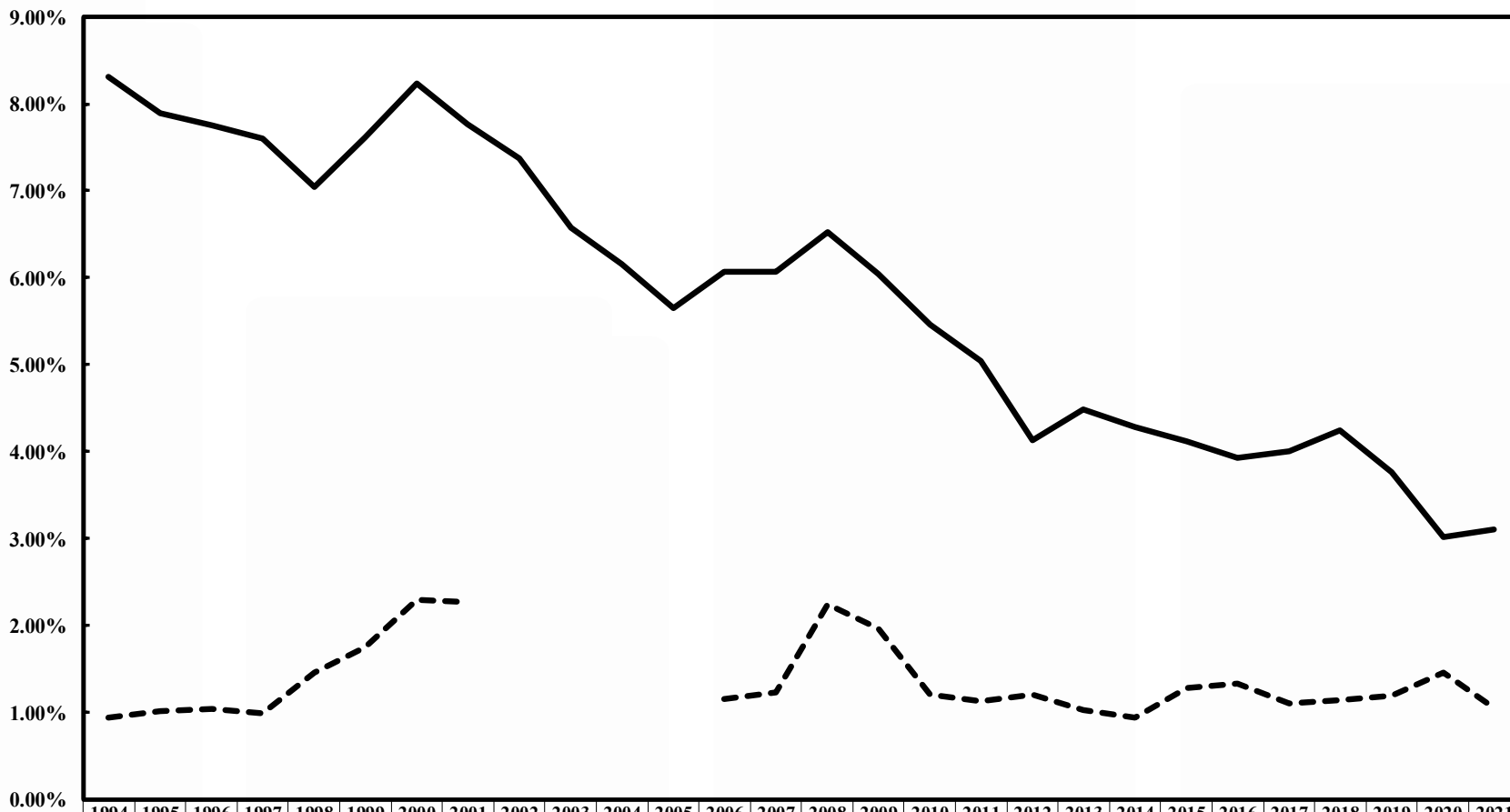
Gas Group
Financial Risk Adjustment

Fiscal Year	ATMOS Energy	Chesapeake	New Jersey	NiSource, Inc	Northwest	ONE Gas Inc	South Jersey	Southwest Gas	Spire Inc.	Average
	(NYSE:ATO)	(NYSE:CPK)	(NYSE:NJR)	(NYSE:NI)	(NYSE:NWN)	(NYSE:OGS)	(NYSE:SJI)	(SWX)	(NYSESR)	
	09/30/20	12/31/20	09/30/20	12/31/20	12/31/20	12/31/20	12/31/20	12/31/20	09/30/20	
Capitalization at Fair Values										
Debt(D)	5,597,183	548,500	2,417,748	11,034,200	1,136,311	2,000,000	3,152,224	3,148,818	2,908,600	3,549,287
Preferred(P)	0	0	0	0	0	0	0	0	242,000	26,889
Equity(E)	12,033,105	1,889,546	2,588,540	8,986,976	1,406,788	4,081,610	2,162,231	3,474,470	2,745,747	4,374,335
Total	17,630,288	2,438,046	5,006,288	20,021,176	2,543,099	6,081,610	5,314,455	6,623,288	5,896,347	7,950,511
Capital Structure Ratios										
Debt(D)	31.75%	22.50%	48.29%	55.11%	44.68%	32.89%	59.31%	47.54%	49.33%	43.49%
Preferred(P)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.10%	0.46%
Equity(E)	68.25%	77.50%	51.71%	44.89%	55.32%	67.11%	40.69%	52.46%	46.57%	56.06%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.01%
Common Stock										
Issued	125,882,477	17,461,841	95,949,183	391,760,051	30,589,000	53,166,733	100,591,940	57,192,925	51,611,789	
Treasury	0.000	0.000	148,310	0.000	0.000	0.000	256.372	0.000	0.000	
Outstanding	125,882,477	17,461,841	95,800,873	391,760,051	30,589,000	53,166,733	100,335,568	57,192,925	51,611,789	
Market Price	\$ 95.59	\$ 108.21	\$ 27.02	\$ 22.94	\$ 45.99	\$ 76.77	\$ 21.55	\$ 60.75	\$ 53.20	
Capitalization at Carrying Amounts										
Debt(D)	4,560,000	523,000	2,102,845	9,243,100	955,425	1,600,000	2,919,201	2,772,633	2,484,100	3,017,812
Preferred(P)	0	0	0	0	0	0	0	0	242,000	26,889
Equity(E)	6,791,203	697,085	1,844,692	4,872,200	888,733	2,233,311	1,660,881	2,674,953	2,280,300	2,660,373
Total	11,351,203	1,220,085	3,947,537	14,115,300	1,844,158	3,833,311	4,580,082	5,447,586	5,006,400	5,705,074
Capital Structure Ratios										
Debt(D)	53.95	39.92	19.26	12.44	29.05	42.01	16.55	46.77	44.18	51.07%
Preferred(P)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.83%	0.54%
Equity(E)	59.83%	57.13%	46.73%	34.52%	48.19%	58.26%	36.26%	49.10%	45.55%	48.40%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Betas										
Value Line	0.80	0.80	1.00	0.85	0.85	0.80	1.05	0.95	0.85	0.88
Hamada										
BI	=	Bu	[1+ (1 - t)]	D/E	+	P/E]			
0.88	=	Bu	[1+ (1-0.21)]	0.7758	+	0.0082]			
0.88	=	Bu	[1+ 0.79	0.7758	+	0.0082]			
0.88	=	Bu	1.6211							
0.54	=	Bu								
Hamada										
BI	=	0.54	[1+ (1 - t)]	D/E	+	P/E]			
BI	=	0.54	[1+ 0.79	1.0552	+	0.0111]			
BI	=	0.54	1.8447							
BI	=	1.00								
M&M										
ku	=	ke	- (((	ku	-	i	)	1-t	)	D / E - (ku - d) P / E
7.59%	=	10.43%	- (((	7.59%	-	3.02%	)	0.79	)	43.49% / 56.06% - 7.59% - 5.68%) 0.46% / 56.06%
7.59%	=	10.43%	- (((	4.57%	-		)	0.79	)	0.7758 - 1.91%) 0.0082
7.59%	=	10.43%	- ((	3.61%	-		)		)	0.7758 - 1.91%) 0.0082
7.59%	=	10.43%	-	2.80%	-					- 0.02%
M&M										
ke	=	ku	+ (((	ku	-	i	)	1-t	)	D / E + (ku - d) P / E
11.42%	=	7.59%	+ (((	7.59%	-	3.02%	)	0.79	)	51.07% / 48.40% + 7.59% - 5.68%) 0.54% / 48.40%
11.42%	=	7.59%	+ (((	4.57%	-		)	0.79	)	1.0552 + 1.91%) 0.0111
11.42%	=	7.59%	+ ((	3.61%	-		)		)	1.0552 + 1.91%) 0.0111
11.42%	=	7.59%	+	3.81%	-					+ 0.02%

**Interest Rates for Investment Grade Public Utility Bonds
Yearly for 2016-2020
and the Twelve Months Ended December 2021**

<u>Years</u>	<u>Aa Rated</u>	<u>A Rated</u>	<u>Baa Rated</u>	<u>Average</u>
2016	3.73%	3.93%	4.68%	4.11%
2017	3.82%	4.00%	4.38%	4.07%
2018	4.09%	4.25%	4.67%	4.34%
2019	3.61%	3.77%	4.19%	3.86%
2020	2.79%	3.02%	3.39%	3.07%
Five-Year Average	<u>3.61%</u>	<u>3.79%</u>	<u>4.26%</u>	<u>3.89%</u>
<u>Months</u>				
Jan-21	2.73%	2.91%	3.18%	2.94%
Feb-21	2.93%	3.09%	3.37%	3.13%
Mar-21	3.27%	3.44%	3.72%	3.48%
Apr-21	3.13%	3.30%	3.57%	3.33%
May-21	3.17%	3.33%	3.58%	3.36%
Jun-21	3.01%	3.16%	3.41%	3.19%
Jul-21	2.80%	2.95%	3.20%	2.99%
Aug-21	2.82%	2.95%	3.19%	2.99%
Sep-21	2.84%	2.96%	3.19%	3.00%
Oct-21	2.99%	3.09%	3.32%	3.13%
Nov-21	2.91%	3.02%	3.25%	3.06%
Dec-21	3.01%	3.13%	3.36%	3.17%
Twelve-Month Average	<u>2.97%</u>	<u>3.11%</u>	<u>3.36%</u>	<u>3.15%</u>
Six-Month Average	<u>2.90%</u>	<u>3.02%</u>	<u>3.25%</u>	<u>3.06%</u>
Three-Month Average	<u>2.97%</u>	<u>3.08%</u>	<u>3.31%</u>	<u>3.12%</u>

Yields on A-rated Public Utility Bonds and Spreads over 30-Year Treasuries



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
— A-rated Public Utility	8.31	7.89	7.75	7.60	7.04	7.62	8.24	7.76	7.37	6.58	6.16	5.65	6.07	6.07	6.53	6.04	5.46	5.04	4.13	4.48	4.28	4.12	3.93	4.00	4.25	3.77	3.02	3.11
- - - Spread vs. 30-year	0.94	1.01	1.04	0.99	1.46	1.75	2.30	2.27					1.16	1.23	2.25	1.96	1.21	1.13	1.21	1.03	0.94	1.28	1.33	1.10	1.14	1.19	1.46	1.06

Common Equity Risk Premiums
Years 1926-2020

	<u>Large Common Stocks</u>	<u>Long- Term Corp. Bonds</u>	<u>Equity Risk Premium</u>	<u>Long- Term Govt. Bonds Yields</u>
Low Interest Rates	12.06%	5.43%	6.63%	2.85%
Average Across All Interest Rates	12.16%	6.49%	5.67%	4.95%
High Interest Rates	12.26%	7.57%	4.69%	7.09%

Source of Information: 2021 SBBI Yearbook Stocks, Bonds, Bills, and Inflation

Basic Series
Annual Total Returns (except yields)

Year	Large Common Stocks	Long- Term Corp. Bonds	Long- Term Govt. Bonds Yields
2020	18.40%	15.40%	1.37%
1940	-9.78%	3.39%	1.94%
1945	36.44%	4.08%	1.99%
1941	-11.59%	2.73%	2.04%
1949	18.79%	3.31%	2.09%
1946	-8.07%	1.72%	2.12%
1950	31.71%	2.12%	2.24%
2019	31.49%	19.95%	2.25%
1939	-0.41%	3.97%	2.26%
1948	5.50%	4.14%	2.37%
1947	5.71%	-2.34%	2.43%
1942	20.34%	2.60%	2.46%
1944	19.75%	4.73%	2.46%
2012	16.00%	10.68%	2.46%
2014	13.69%	17.28%	2.46%
1943	25.90%	2.83%	2.48%
1938	31.12%	6.13%	2.52%
2017	21.83%	12.25%	2.54%
1936	33.92%	6.74%	2.55%
2011	2.11%	17.95%	2.55%
2015	1.38%	-1.02%	2.68%
1951	24.02%	-2.69%	2.69%
1954	52.62%	5.39%	2.72%
2016	11.96%	6.70%	2.72%
1937	-35.03%	2.75%	2.73%
1953	-0.99%	3.41%	2.74%
1935	47.67%	9.61%	2.76%
1952	18.37%	3.52%	2.79%
2018	-4.38%	-4.73%	2.84%
1934	-1.44%	13.84%	2.93%
1955	31.56%	0.48%	2.95%
2008	-37.00%	8.78%	3.03%
1932	-8.19%	10.82%	3.15%
1927	37.49%	7.44%	3.17%
1957	-10.78%	8.71%	3.23%
1930	-24.90%	7.98%	3.30%
1933	53.99%	10.38%	3.36%
1928	43.61%	2.84%	3.40%
1929	-8.42%	3.27%	3.40%
1956	6.56%	-6.81%	3.45%
1926	11.62%	7.37%	3.54%
2013	32.39%	-7.07%	3.78%
1960	0.47%	9.07%	3.80%
1958	43.36%	-2.22%	3.82%
1962	-8.73%	7.95%	3.95%
1931	-43.34%	-1.85%	4.07%
2010	15.06%	12.44%	4.14%
1961	26.89%	4.82%	4.15%
1963	22.80%	2.19%	4.17%
1964	16.48%	4.77%	4.23%
1959	11.96%	-0.97%	4.47%
1965	12.45%	-0.46%	4.50%
2007	5.49%	2.60%	4.50%
1966	-10.06%	0.20%	4.55%
2009	26.46%	3.02%	4.58%
2005	4.91%	5.87%	4.61%
2002	-22.10%	16.33%	4.84%
2004	10.88%	8.72%	4.84%
2006	15.79%	3.24%	4.91%
2003	28.68%	5.27%	5.11%
1998	28.58%	10.76%	5.42%
1967	23.98%	-4.95%	5.56%
2000	-9.10%	12.87%	5.58%
2001	-11.89%	10.65%	5.75%
1971	14.30%	11.01%	5.97%
1968	11.06%	2.57%	5.98%
1972	18.99%	7.26%	5.99%
1997	33.36%	12.95%	6.02%
1995	37.58%	27.20%	6.03%
1970	3.86%	18.37%	6.48%
1993	10.08%	13.19%	6.54%
1996	22.96%	1.40%	6.73%
1999	21.04%	-7.45%	6.82%
1969	-8.50%	-8.09%	6.87%
1976	23.93%	18.65%	7.21%
1973	-14.69%	1.14%	7.26%
1992	7.62%	9.39%	7.26%
1991	30.47%	19.89%	7.30%
1974	-26.47%	-3.06%	7.60%
1986	18.67%	19.85%	7.89%
1994	1.32%	-5.76%	7.99%
1977	-7.16%	1.71%	8.03%
1975	37.23%	14.64%	8.05%
1989	31.69%	16.23%	8.16%
1990	-3.10%	6.78%	8.44%
1978	6.57%	-0.07%	8.98%
1988	16.61%	10.70%	9.19%
1987	5.25%	-0.27%	9.20%
1985	31.73%	30.09%	9.56%
1979	18.61%	-4.18%	10.12%
1982	21.55%	42.56%	10.95%
1984	6.27%	16.86%	11.70%
1983	22.56%	6.26%	11.97%
1980	32.50%	-2.76%	11.99%
1981	-4.92%	-1.24%	13.34%

**Yields for Treasury Constant Maturities
Yearly for 2016-2020
and the Twelve Months Ended December 2021**

<u>Years</u>	<u>1-Year</u>	<u>2-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>7-Year</u>	<u>10-Year</u>	<u>20-Year</u>	<u>30-Year</u>
2016	0.61%	0.84%	1.01%	1.34%	1.64%	1.84%	2.23%	2.60%
2017	1.20%	1.40%	1.58%	1.91%	2.16%	2.33%	2.65%	2.90%
2018	2.33%	2.53%	2.63%	2.75%	2.85%	2.91%	3.02%	3.11%
2019	2.05%	1.97%	1.94%	1.96%	2.05%	2.14%	2.40%	2.58%
2020	0.38%	0.40%	0.43%	0.54%	0.73%	0.89%	1.35%	1.56%
Five-Year Average	<u>1.31%</u>	<u>1.43%</u>	<u>1.52%</u>	<u>1.70%</u>	<u>1.89%</u>	<u>2.02%</u>	<u>2.33%</u>	<u>2.55%</u>
<u>Months</u>								
Jan-21	0.10%	0.13%	0.20%	0.45%	0.77%	1.08%	1.63%	1.82%
Feb-21	0.07%	0.12%	0.21%	0.54%	0.91%	1.26%	1.88%	2.04%
Mar-21	0.08%	0.15%	0.32%	0.82%	1.27%	1.61%	2.24%	2.34%
Apr-21	0.06%	0.16%	0.35%	0.86%	1.31%	1.64%	2.20%	2.30%
May-21	0.05%	0.16%	0.32%	0.82%	1.28%	1.62%	2.22%	2.32%
Jun-21	0.07%	0.20%	0.39%	0.84%	1.23%	1.52%	2.09%	2.16%
Jul-21	0.08%	0.22%	0.40%	0.76%	1.07%	1.32%	1.87%	1.94%
Aug-21	0.07%	0.22%	0.42%	0.77%	1.06%	1.28%	1.83%	1.92%
Sep-21	0.08%	0.24%	0.47%	0.86%	1.16%	1.37%	1.87%	1.94%
Oct-21	0.11%	0.39%	0.67%	1.11%	1.40%	1.58%	2.03%	2.06%
Nov-21	0.18%	0.51%	0.82%	1.20%	1.45%	1.56%	1.97%	1.94%
Dec-21	0.30%	0.68%	0.95%	1.23%	1.40%	1.47%	1.90%	1.85%
Twelve-Month Average	<u>0.10%</u>	<u>0.27%</u>	<u>0.46%</u>	<u>0.86%</u>	<u>1.19%</u>	<u>1.44%</u>	<u>1.98%</u>	<u>2.05%</u>
Six-Month Average	<u>0.14%</u>	<u>0.38%</u>	<u>0.62%</u>	<u>0.99%</u>	<u>1.26%</u>	<u>1.43%</u>	<u>1.91%</u>	<u>1.94%</u>
Three-Month Average	<u>0.20%</u>	<u>0.53%</u>	<u>0.81%</u>	<u>1.18%</u>	<u>1.42%</u>	<u>1.54%</u>	<u>1.97%</u>	<u>1.95%</u>

Measures of the Risk-Free Rate & Corporate Bond Yields

The forecast of Treasury and Corporate yields
per the consensus of nearly 50 economists
reported in the Blue Chip Financial Forecasts dated December 1, 2021 and January 1, 2022

Year	Quarter	Treasury					Corporate	
		1-Year Bill	2-Year Note	5-Year Note	10-Year Note	30-Year Bond	Aaa Bond	Baa Bond
2022	First	0.3%	0.7%	1.3%	1.7%	2.1%	2.8%	3.6%
2022	Second	0.4%	0.8%	1.4%	1.8%	2.2%	3.0%	3.8%
2022	Third	0.6%	1.0%	1.6%	2.0%	2.4%	3.2%	4.0%
2022	Fourth	0.9%	1.2%	1.7%	2.1%	2.5%	3.4%	4.2%
2023	First	1.1%	1.3%	1.8%	2.2%	2.7%	3.6%	4.4%
2023	Second	1.3%	1.5%	2.0%	2.3%	2.8%	3.7%	4.6%
Long-range CONSENSUS								
2023		1.0%	1.3%	1.9%	2.4%	2.9%	3.7%	4.6%
2024		1.6%	1.9%	2.4%	2.8%	3.3%	4.2%	5.0%
2025		2.1%	2.4%	2.8%	3.1%	3.6%	4.5%	5.3%
2026		2.4%	2.6%	2.9%	3.2%	3.7%	4.6%	5.5%
2027		2.5%	2.6%	2.9%	3.2%	3.7%	4.8%	5.6%
Averages:								
	2023-2027	1.9%	2.2%	2.6%	2.9%	3.4%	4.4%	5.2%
	2028-2032	2.4%	2.6%	3.0%	3.3%	3.8%	4.9%	5.7%

Measures of the Market Premium

Value Line Return			
As of:	Dividend Yield	Median Appreciation Potential	Median Total Return
31-Dec-21	1.8%	+ 8.78%	= 10.58%

DCF Result for the S&P 500 Composite			
D/P	(1+5g)	+	g = k
1.30%	(1.069)	+	13.8% = 15.19%

Summary			
Value Line			10.58%
S&P 500			15.19%
Average			12.89%
Risk-free Rate of Return (Rf)			2.75%
Forecast Market Premium			10.14%
Historical Market Premium			
Low Interest Rates	(Rm)	(Rf)	
1926-2020 Arith. mean	12.06%	2.85%	9.21%
Average - Forecast/Historical			9.68%

Exhibit 7.8: Size-Decile Portfolios of the NYSE/NYSE MKT/NASDAQ Long-Term Returns in Excess of CAPM
1926–2016

<u>Size Grouping</u>	<u>OLS Beta</u>	<u>Arithmetic Mean</u>	<u>Return in Excess of Risk-free Rate (actual)</u>	<u>Return in Excess of Risk-free Rate (as predicted by CAPM)</u>	<u>Size Premium</u>
Mid-Cap (3–5)	1.12	13.82%	8.80%	7.79%	1.02%
Low-Cap (6–8)	1.22	15.26%	10.24%	8.49%	1.75%
Micro-Cap (9–10)	1.35	18.04%	13.02%	9.35%	3.67%
<u>Breakdown of Deciles 1–10</u>					
1-Largest	0.92	11.05%	6.04%	6.38%	-0.35%
2	1.04	12.82%	7.81%	7.19%	0.61%
3	1.11	13.57%	8.55%	7.66%	0.89%
4	1.13	13.80%	8.78%	7.80%	0.98%
5	1.17	14.62%	9.60%	8.09%	1.51%
6	1.17	14.81%	9.79%	8.14%	1.66%
7	1.25	15.41%	10.39%	8.67%	1.72%
8	1.30	16.14%	11.12%	9.04%	2.08%
9	1.34	16.97%	11.96%	9.28%	2.68%
10-Smallest	1.39	20.27%	15.25%	9.66%	5.59%

Betas are estimated from monthly returns in excess of the 30-day U.S. Treasury bill total return, January 1926–December 2016. Historical riskless rate measured by the 91-year arithmetic mean income return component of 20-year government bonds (5.02%). Calculated in the context of the CAPM by multiplying the equity risk premium by beta. The equity risk premium is estimated by the arithmetic mean total return of the S&P 500 (11.95%) minus the arithmetic mean income return component of 20-year government bonds (5.02%) from 1926–2016. Source: Morningstar *Direct* and CRSP. Calculated based on data from CRSP US Stock Database and CRSP US Indices Database ©2017 Center for Research. Used with permission. All calculations performed by Duff & Phelps, LLC.

Comparable Earnings Approach
Screening Parameters

Timeliness Rank

The rank for a stock's probable relative market performance in the year ahead. Stocks ranked 1 (Highest) or 2 (Above Average) are likely to outpace the year-ahead market. Those ranked 4 (Below Average) or 5 (Lowest) are not expected to outperform most stocks over the next 12 months. Stocks ranked 3 (Average) will probably advance or decline with the market in the year ahead. Investors should try to limit purchases to stocks ranked 1 (Highest) or 2 (Above Average) for Timeliness.

Safety Rank

A measure of potential risk associated with individual common stocks rather than large diversified portfolios (for which Beta is good risk measure). Safety is based on the stability of price, which includes sensitivity to the market (see Beta) as well as the stock's inherent volatility, adjusted for trend and other factors including company size, the penetration of its markets, product market volatility, the degree of financial leverage, the earnings quality, and the overall condition of the balance sheet. Safety Ranks range from 1 (Highest) to 5 (Lowest). Conservative investors should try to limit purchases to equities ranked 1 (Highest) or 2 (Above Average) for Safety.

Financial Strength

The financial strength of each of the more than 1,600 companies in the VS II data base is rated relative to all the others. The ratings range from A++ to C in nine steps. (For screening purposes, think of an A rating as "greater than" a B). Companies that have the best relative financial strength are given an A++ rating, indicating ability to weather hard times better than the vast majority of other companies. Those who don't quite merit the top rating are given an A+ grade, and so on. A rating as low as C++ is considered satisfactory. A rating of C+ is well below average, and C is reserved for companies with very serious financial problems. The ratings are based upon a computer analysis of a number of key variables that determine (a) financial leverage, (b) business risk, and (c) company size, plus the judgment of Value Line's analysts and senior editors regarding factors that cannot be quantified across-the-board for companies. The primary variables that are indexed and studied include equity coverage of debt, equity coverage of intangibles, "quick ratio", accounting methods, variability of return, fixed charge coverage, stock price stability, and company size.

Price Stability Index

An index based upon a ranking of the weekly percent changes in the price of the stock over the last five years. The lower the standard deviation of the changes, the more stable the stock. Stocks ranking in the top 5% (lowest standard deviations) carry a Price Stability Index of 100; the next 5%, 95; and so on down to 5. One standard deviation is the range around the average weekly percent change in the price that encompasses about two thirds of all the weekly percent change figures over the last five years. When the range is wide, the standard deviation is high and the stock's Price Stability Index is low.

Beta

A measure of the sensitivity of the stock's price to overall fluctuations in the New York Stock Exchange Composite Average. A Beta of 1.50 indicates that a stock tends to rise (or fall) 50% more than the New York Stock Exchange Composite Average. Use Beta to measure the stock market risk inherent in any diversified portfolio of, say, 15 or more companies. Otherwise, use the Safety Rank, which measures total risk inherent in an equity, including that portion attributable to market fluctuations. Beta is derived from a least squares regression analysis between weekly percent changes in the price of a stock and weekly percent changes in the NYSE Average over a period of five years. In the case of shorter price histories, a smaller time period is used, but two years is the minimum. The Betas are periodically adjusted for their long-term tendency to regress toward 1.00.

Technical Rank

A prediction of relative price movement, primarily over the next three to six months. It is a function of price action relative to all stocks followed by Value Line. Stocks ranked 1 (Highest) or 2 (Above Average) are likely to outpace the market. Those ranked 4 (Below Average) or 5 (Lowest) are not expected to outperform most stocks over the next six months. Stocks ranked 3 (Average) will probably advance or decline with the market. Investors should use the Technical and Timeliness Ranks as complements to one another.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL UTILITIES

1. Provide capitalization and capitalization ratios for the last five-year period and projected through the next two years. (With short-term debt and without short-term debt.) (Company, Parent and System [consolidated].)
 - a. Provide year-end interest coverage before and after taxes for the last three years and at latest date. (Indenture and SEC Basis.) (Company, Parent and System [consolidated].)
 - b. Provide year-end preferred stock dividend coverage for the last three years and at latest date (Charter and SEC Basis).

Response:

1. Capitalization and capitalization ratios for the last five year period are provided on page 2 (Company) and page 3 (NiSource).
 - a. Interest coverage ratios are provided on page 4 (Company) and page 5 (Nisource).
 - b. Preferred stock dividend coverage for the last 3 years and at latest date for NiSource Inc. are as follows:

<i>In millions</i>	2018	2019	2020	2021
Net Income	\$(50.6)M	\$383.1M	\$(14.2)M	\$588.8M
Required Preferred Dividend Payment	\$15.0M	\$55.1M	\$55.1M	\$55.1M
Preferred Stock Dividend Coverage	N/A (1)	6.95	N/A (1)	10.69

(1) Payout ratio excluded for periods with a net loss.

COLUMBIA GAS OF PENNSYLVANIA, INC.
Capitalization and Capitalization Ratios
As Ratios

Line No.	As of	With Short Term Debt		Without Short Term Debt	
		Amount (1) \$000	Ratio (2) %	Amount (3) \$000	Ratio (4) %
1	November 30, 2017				
2	Common Equity (a)	713,822	51.47	713,822	53.30
3	Long-Term Debt	625,515	45.10	625,515	46.70
4	Short-Term Debt (b)	47,592	3.43	0	0.00
5	Total	<u>1,386,929</u>	<u>100.00</u>	<u>1,339,337</u>	<u>100.00</u>
6	November 30, 2018				
7	Common Equity (a)	846,996	52.46	846,996	54.56
8	Long-Term Debt	705,515	43.70	705,515	45.44
9	Short-Term Debt (b)	62,010	3.84	0	0.00
10	Total	<u>1,614,522</u>	<u>100.00</u>	<u>1,552,511</u>	<u>100.00</u>
11	November 30, 2019				
12	Common Equity (a)	951,493	52.99	951,493	54.78
13	Long-Term Debt	785,515	43.74	785,515	45.22
14	Short-Term Debt (b)	58,765	3.27	0	0.00
15	Total	<u>1,795,773</u>	<u>100.00</u>	<u>1,737,008</u>	<u>100.00</u>
16	November 30, 2020				
17	Common Equity (a)	1,097,051	53.49	1,097,051	55.06
18	Long-Term Debt	895,515	43.66	895,515	44.94
19	Short-Term Debt (b)	58,398	2.85	0	0.00
20	Total	<u>2,050,965</u>	<u>100.00</u>	<u>1,992,566</u>	<u>100.00</u>
21	November 30, 2021				
22	Common Equity (a)	1,263,304	54.40	1,263,304	56.18
23	Long-Term Debt	985,515	42.44	985,515	43.82
24	Short-Term Debt (b)	73,462	3.16	0	0.00
25	Total	<u>2,322,282</u>	<u>100.00</u>	<u>2,248,819</u>	<u>100.00</u>
26	November 30, 2022 - Projected				
27	Common Equity (a)	1,433,001	55.46	1,433,001	57.13
28	Long-Term Debt	1,075,515	41.63	1,075,515	42.87
29	Short-Term Debt (b)	75,169	2.91	0	0.00
30	Total	<u>2,583,685</u>	<u>100.00</u>	<u>2,508,516</u>	<u>100.00</u>
31	December 31, 2023 - Projected				
32	Common Equity (a)	1,616,912	54.38	1,616,912	55.71
33	Long-Term Debt	1,285,515	43.23	1,285,515	44.29
34	Short-Term Debt (b)	70,990	2.39	0	0.00
35	Total	<u>2,973,417</u>	<u>100.00</u>	<u>2,902,427</u>	<u>100.00</u>

(a) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account, if any.
(b) Represent 12 month average

NiSource, Inc.
Capitalization and Capitalization Ratios
As Ratios

Line No.	As of	With Short Term Debt		Without Short Term Debt	
		Amount	Ratio	Amount	Ratio
		(1) \$000	(2) %	(3) \$000	(4) %
1	November 30, 2017				
2	Common Equity (a)	4,452,302	33.17	4,452,302	36.33
3	Preferred Stock	0	0.00	0	0.00
4	Long-Term Debt	7,802,440	58.13	7,802,440	63.67
5	Short-Term Debt (b)	1,168,657	8.71	0	0.00
6	Total	13,423,400	100.00	12,254,743	100.00
7	November 30, 2018				
8	Common Equity (a)	4,763,702	33.65	4,763,702	37.25
9	Preferred Stock	879,880	6.22	879,880	6.88
10	Long-Term Debt	7,145,820	50.48	7,145,820	55.87
11	Short-Term Debt (b)	1,365,241	9.65	0	0.00
12	Total	14,154,643	100.00	12,789,402	100.00
13	November 30, 2019				
14	Common Equity (a)	5,401,077	33.59	5,401,077	38.20
15	Preferred Stock	879,749	5.47	879,749	6.22
16	Long-Term Debt	7,859,601	48.89	7,859,601	55.58
17	Short-Term Debt (b)	1,937,109	12.05	0	0.00
18	Total	16,077,537	100.00	14,140,428	100.00
19	November 30, 2020				
20	Common Equity (a)	4,873,175	29.99	4,873,175	32.53
21	Preferred Stock	879,749	5.41	879,749	5.87
22	Long-Term Debt	9,227,555	56.78	9,227,555	61.60
23	Short-Term Debt (b)	1,270,514	7.82	0	0.00
24	Total	16,250,993	100.00	14,980,479	100.00
25	November 30, 2021				
26	Common Equity (a)	5,075,486	31.03	5,075,486	31.64
27	Preferred Stock	1,719,780	10.52	1,719,780	10.72
28	Long-Term Debt	9,248,042	56.55	9,248,042	57.64
29	Short-Term Debt (b)	311,708	1.91	0	0.00
30	Total	16,355,016	100.00	16,043,307	100.00
31	December 31, 2022 - Projected				
32	Common Equity (a)	6,422,794	34.05	6,422,794	35.39
33	Preferred Stock	1,719,780	9.12	1,719,780	9.48
34	Long-Term Debt	10,004,322	53.04	10,004,322	55.13
35	Short-Term Debt (b)	715,335	3.79	0	0.00
36	Total	18,862,231	100.00	18,146,896	100.00
37	December 31, 2023 - Projected				
38	Common Equity (a)	8,032,089	35.90	8,032,089	37.83
39	Preferred Stock	2,205,291	9.86	2,205,291	10.39
40	Long-Term Debt	10,996,170	49.15	10,996,170	51.79
41	Short-Term Debt (b)	1,140,490	5.10	0	0.00
42	Total	22,374,040	100.00	21,233,550	100.00

(a) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account, if any.
(b) Represent 12 month average

COLUMBIA GAS OF PENNSYLVANIA, INC.
INTEREST COVERAGES

Line No.	Description	Twelve Months Ended November 30 <u>2018</u> (1)	Twelve Months Ended November 30 <u>2019</u> (2)	Twelve Months Ended November 30 <u>2020</u> (3)	Twelve Months Ended November 30 <u>2021</u> (4)
1	Income Before Interest and Taxes	149,762,478	166,684,001	156,590,756	181,231,600
2	Less: Income Taxes	26,185,537	22,200,487	23,487,747	29,580,344
3	Income Before Interest	123,576,941	144,483,514	133,103,009	151,651,256
4	Interest Expense	35,402,475	39,986,576	42,545,079	45,398,164
5	Pre Tax Coverage (times) 1/	4.23	4.17	3.68	3.99
6	Post Tax Coverage (times) 2/	3.49	3.61	3.13	3.34
1/	Pre Tax=Line 1 / 4				
2/	Post Tax=Line 3 / 4				

NiSource, Inc.
INTEREST COVERAGES

Line No.	Description	Twelve Months Ended	Twelve Months Ended	Twelve Months Ended	Twelve Months Ended
		November 30 <u>2018</u> (1)	November 30 <u>2019</u> (2)	November 30 <u>2020</u> (3)	November 30 <u>2021</u> (4)
1	Income Before Interest and Taxes	191,873,519	1,261,766,888	(73,794,673)	1,027,985,169
2	Less: Income Taxes	121,402,481	46,883,129	(61,351,510)	124,666,800
3	Income Before Interest	70,471,038	1,214,883,759	(12,443,163)	903,318,369
4	Interest Expense	353,836,471	377,847,712	374,063,569	339,426,620
5	Pre Tax Coverage (times) 1/	0.54	3.34	NA	3.03
6	Post Tax Coverage (times) 2/	0.20	3.22	NA	2.66
1/	Pre Tax=Line 1 / 4				
2/	Post Tax=Line 3 / 4				

COLUMBIA GAS OF PENNSYLVANIA, INC.

53.53 II. RATE OF RETURN

A. ALL UTILITIES

2. Provide latest quarterly financial report (Company and Parent).

Response:

Columbia Gas of Pennsylvania, Inc. does not publish quarterly financial reports.

Attached is NiSource Inc.'s September 30, 2021 Form 10-Q.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2021

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-16189

NiSource Inc.

(Exact name of registrant as specified in its charter)

DE

(State or other jurisdiction of
incorporation or organization)

801 East 86th Avenue
Merrillville, IN

(Address of principal executive offices)

35-2108964

(I.R.S. Employer
Identification No.)

46410

(Zip Code)

(877) 647-5990

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	NI	NYSE
Depository Shares, each representing a 1/1,000th ownership interest in a share of 6.50% Series B		
Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, par value \$0.01 per share, liquidation preference \$25,000 per share and a 1/1,000th ownership interest in a share of Series B-1 Preferred Stock, par value \$0.01 per share, liquidation preference \$0.01 per share	NI PR B	NYSE
Series A Corporate Units	NIMC	NYSE

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.)

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Emerging growth company Non-accelerated filer Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, \$0.01 Par Value: 392,704,679 shares outstanding at October 25, 2021.

NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED SEPTEMBER 30, 2021

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DEFINED TERMS

The following is a list of frequently used abbreviations or acronyms that are found in this report:

NiSource Subsidiaries and Affiliates

Columbia of Kentucky	Columbia Gas of Kentucky, Inc.
Columbia of Maryland	Columbia Gas of Maryland, Inc.
Columbia of Massachusetts	Bay State Gas Company
Columbia of Ohio	Columbia Gas of Ohio, Inc.
Columbia of Pennsylvania	Columbia Gas of Pennsylvania, Inc.
Columbia of Virginia	Columbia Gas of Virginia, Inc.
NIPSCO	Northern Indiana Public Service Company LLC
NiSource ("we," "us" or "our")	NiSource Inc.
Rosewater	Rosewater Wind Generation LLC and its wholly owned subsidiary, Rosewater Wind Farm LLC

Abbreviations and Other

ACE	Affordable Clean Energy
AFUDC	Allowance for funds used during construction
AOI	Accumulated Other Comprehensive Income (Loss)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	At-the-market
BTA	Build-transfer agreement
CCRs	Coal Combustion Residuals
CEP	Capital Expenditure Program
CERCLA	Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
Corporate Units	Series A Corporate Units
COVID-19 ("the COVID-19 pandemic" or "the pandemic")	Novel Coronavirus 2019
DSIC	Distribution System Improvement Charge
DPU	Department of Public Utilities
EPA	United States Environmental Protection Agency
EPS	Earnings per share
Equity Units	Series A Equity Units
FAC	Fuel adjustment clause
FMCA	Federally Mandated Cost Adjustment
GAAP	Generally Accepted Accounting Principles
GCA	Gas cost adjustment
GHG	Greenhouse gases
GWh	Gigawatt hours
HLBV	Hypothetical Liquidation at Book Value
IRP	Infrastructure Replacement Program
IURC	Indiana Utility Regulatory Commission
LIBOR	London InterBank Offered Rate
Massachusetts Business	All of the assets sold to, and liabilities assumed by, Eversource pursuant to the Asset Purchase Agreement

DEFINED TERMS

MGP	Manufactured Gas Plant
MISO	Midcontinent Independent System Operator
MMDth	Million dekatherms
MW	Megawatts
MWh	Megawatt hours
NTSB	National Transportation Safety Board
NYMEX	New York Mercantile Exchange
OPEB	Other Postretirement Benefits
PHMSA	Pipeline and Hazardous Materials Safety Administration
PPA	Power Purchase Agreement
PSC	Public Service Commission
PUC	Public Utilities Commission
RCRA	Resource Conservation and Recovery Act
RFP	Request for proposals
SAVE	Steps to Advance Virginia's Energy Plan
Scope 1 GHG Emissions	Direct emissions from sources owned or controlled by us (e.g., emissions from our combustion of fuel, vehicles, and process emissions and fugitive emissions)
SEC	Securities and Exchange Commission
SMRP	Safety Modification and Replacement Program
SMS	Safety Management System
STRIDE	Strategic Infrastructure Development Enhancement
TCJA	An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 (commonly known as the Tax Cuts and Jobs Act of 2017)
TDSIC	Transmission, Distribution and Storage System Improvement Charge
VIE	Variable Interest Entity

Note regarding forward-looking statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. Expressions of future goals and expectations and similar expressions, including "may," "will," "should," "could," "would," "aims," "seeks," "expects," "plans," "anticipates," "intends," "believes," "estimates," "predicts," "potential," "targets," "forecast," and "continue," reflecting something other than historical fact are intended to identify forward-looking statements. 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 Quarterly Report on Form 10-Q include, among other things, our ability to execute our business plan or growth strategy, including utility infrastructure investments; potential incidents and other operating risks associated with our business; our ability to adapt to, and manage costs related to, advances in technology; impacts related to our aging infrastructure; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the success of our electric generation strategy; construction risks and natural gas costs and supply risks; fluctuations in demand from residential and commercial customers; fluctuations in the price of energy commodities and related transportation costs or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands; the attraction and retention of a qualified, diverse workforce and ability to maintain good labor relations; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; potential cybersecurity attacks; any damage to our reputation;

any remaining liabilities or impact related to the sale of the Massachusetts Business; the impacts of natural disasters, potential terrorist attacks or other catastrophic events; the impacts of climate change and extreme weather conditions; our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; any adverse effects related to our equity units; adverse economic and capital market conditions or increases in interest rates; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; continuing and potential future impacts from the COVID-19 pandemic; economic conditions in certain industries; the reliability of customers and suppliers to fulfill their payment and contractual obligations; the ability of our subsidiaries to generate cash; pension funding obligations; potential impairments of goodwill; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; potential remaining liabilities related to the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney's Office to settle the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; changes in taxation; other matters in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021, many of which risks are beyond our control. 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. We undertake no obligation to, and expressly disclaim 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.

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PART I

ITEM 1. FINANCIAL STATEMENTS

**NiSource Inc.
Condensed Statements of Consolidated Income (Loss) (unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<i>(in millions, except per share amounts)</i>				
Operating Revenues				
Customer revenues	\$ 918.8	\$ 861.5	\$ 3,377.7	\$ 3,320.1
Other revenues	40.6	41.0	113.3	150.6
Total Operating Revenues	959.4	902.5	3,491.0	3,470.7
Operating Expenses				
Cost of energy	208.3	143.1	913.4	793.9
Operation and maintenance	351.1	379.9	1,075.4	1,177.6
Depreciation and amortization	188.9	180.6	560.2	542.4
Loss (gain) on sale of assets, net	(1.1)	35.9	6.9	399.8
Other taxes	65.1	70.2	212.6	224.3
Total Operating Expenses	812.3	809.7	2,768.5	3,138.0
Operating Income	147.1	92.8	722.5	332.7
Other Income (Deductions)				
Interest expense, net	(84.4)	(95.2)	(253.5)	(285.1)
Other, net	14.3	8.0	37.2	19.9
Loss on early extinguishment of long-term debt	—	(243.4)	—	(243.4)
Total Other Deductions, Net	(70.1)	(330.6)	(216.3)	(508.6)
Income (Loss) before Income Taxes	77.0	(237.8)	506.2	(175.9)
Income Taxes	14.8	(64.9)	90.6	(73.9)
Net Income (Loss)	62.2	(172.9)	415.6	(102.0)
Net loss attributable to noncontrolling interest	(1.0)	—	(3.4)	—
Net Income (Loss) Attributable to NiSource	63.2	(172.9)	419.0	(102.0)
Preferred dividends	(13.8)	(13.8)	(41.4)	(41.4)
Net Income (Loss) Available to Common Shareholders	49.4	(186.7)	377.6	(143.4)
Earnings (Loss) Per Share				
Basic Earnings (Loss) Per Share	\$ 0.13	\$ (0.49)	\$ 0.96	\$ (0.37)
Diluted Earnings (Loss) Per Share	\$ 0.12	\$ (0.49)	\$ 0.91	\$ (0.37)
Basic Average Common Shares Outstanding	393.2	383.8	392.9	383.5
Diluted Average Common Shares	430.3	383.8	415.8	383.5

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Statements of Consolidated Comprehensive Income (Loss) (unaudited)

<i>(in millions, net of taxes)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net Income (Loss)	\$ 62.2	\$ (172.9)	\$ 415.6	\$ (102.0)
Other comprehensive income (loss):				
Net unrealized gain (loss) on available-for-sale debt securities ⁽¹⁾	(0.8)	1.4	(2.4)	1.7
Net unrealized gain (loss) on cash flow hedges ⁽²⁾	6.6	26.0	41.4	(104.6)
Unrecognized pension and OPEB benefit ⁽³⁾	0.4	0.9	0.3	1.9
Total other comprehensive income (loss)	6.2	28.3	39.3	(101.0)
Comprehensive Income (Loss)	\$ 68.4	\$ (144.6)	\$ 454.9	\$ (203.0)

⁽¹⁾Net unrealized gain (loss) on available-for-sale debt securities, net of \$0.2 million tax benefit and \$0.4 million tax expense in the third quarter of 2021 and 2020, respectively, and \$0.6 million tax benefit and \$0.5 million tax expense for the nine months ended 2021 and 2020, respectively.

⁽²⁾Net unrealized gain (loss) on cash flow hedges, net of \$2.2 million and \$8.6 million tax expense in the third quarter of 2021 and 2020, respectively, and \$13.7 million tax expense and \$34.6 million tax benefit for the nine months ended 2021 and 2020, respectively.

⁽³⁾Unrecognized pension and OPEB benefit, net of \$0.2 million tax expense in the third quarter of 2021 and 2020, and \$1.3 million and \$0.1 million tax expense for the nine months ended 2021 and 2020, respectively.

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Consolidated Balance Sheets (unaudited)

<i>(in millions)</i>	September 30, 2021	December 31, 2020
ASSETS		
Property, Plant and Equipment		
Plant	\$ 25,438.2	\$ 24,179.9
Accumulated depreciation and amortization	(7,917.1)	(7,560.4)
Net Property, Plant and Equipment ⁽¹⁾	17,521.1	16,619.5
Investments and Other Assets		
Available-for-sale debt securities (amortized cost of \$164.6 and \$163.9, allowance for credit losses of \$0.2 and \$0.5, respectively)	168.9	170.9
Other investments	84.4	81.1
Total Investments and Other Assets	253.3	252.0
Current Assets		
Cash and cash equivalents	38.5	116.5
Restricted cash	17.8	9.1
Accounts receivable	555.1	843.6
Allowance for credit losses	(28.3)	(52.3)
Accounts receivable, net	526.8	791.3
Gas inventory	311.1	191.2
Materials and supplies, at average cost	137.1	141.5
Electric production fuel, at average cost	23.2	68.4
Exchange gas receivable	59.1	34.1
Regulatory assets	198.5	135.7
Prepayments and other	159.3	171.6
Total Current Assets ⁽¹⁾	1,471.4	1,659.4
Other Assets		
Regulatory assets	1,755.4	1,794.8
Goodwill	1,485.9	1,485.9
Deferred charges and other	291.5	228.9
Total Other Assets ⁽¹⁾	3,532.8	3,509.6
Total Assets	\$ 22,778.6	\$ 22,040.5

⁽¹⁾Includes \$171.6 million and \$175.6 million of net property, plant and equipment assets and \$5.3 million and \$1.7 million of current assets of a consolidated VIE as of September 30, 2021 and December 31, 2020 that may be used only to settle obligations of the consolidated VIE. Refer to Note 12 "Variable Interest Entities" for additional information.

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Consolidated Balance Sheets (unaudited) (continued)

<i>(in millions, except share amounts)</i>	September 30, 2021	December 31, 2020
CAPITALIZATION AND LIABILITIES		
Capitalization		
Stockholders' Equity		
Common stock - \$0.01 par value, 600,000,000 shares authorized; 392,628,625 and 391,760,051 shares outstanding, respectively	\$ 3.9	\$ 3.9
Preferred stock - \$0.01 par value, 20,000,000 shares authorized; 1,302,500 and 440,000 shares outstanding, respectively	1,719.8	880.0
Treasury stock	(99.9)	(99.9)
Additional paid-in capital	6,735.3	6,890.1
Retained deficit	(1,746.8)	(1,765.2)
Accumulated other comprehensive loss	(117.4)	(156.7)
Total NiSource Stockholders' Equity	6,494.9	5,752.2
Noncontrolling interest in consolidated subsidiaries	89.2	85.6
Total Stockholders' Equity	6,584.1	5,837.8
Long-term debt, excluding amounts due within one year	9,188.2	9,219.8
Total Capitalization	15,772.3	15,057.6
Current Liabilities		
Current portion of long-term debt	55.7	23.3
Short-term borrowings	380.0	503.0
Accounts payable	487.2	589.0
Dividends payable - common stock	86.4	—
Dividends payable - preferred stock	19.4	—
Customer deposits and credits	232.5	243.3
Taxes accrued	199.6	244.1
Interest accrued	94.1	104.7
Exchange gas payable	73.2	48.5
Regulatory liabilities	173.2	161.3
Accrued compensation and employee benefits	178.4	141.8
Other accruals	266.9	220.4
Total Current Liabilities	2,246.6	2,279.4
Other Liabilities		
Deferred income taxes	1,620.8	1,470.6
Accrued liability for postretirement and postemployment benefits	308.8	336.1
Regulatory liabilities	1,874.8	1,904.2
Asset retirement obligations	427.9	477.1
Other noncurrent liabilities	527.4	515.5
Total Other Liabilities	4,759.7	4,703.5
Commitments and Contingencies (Refer to Note 15, "Other Commitments and Contingencies")		
Total Capitalization and Liabilities	\$ 22,778.6	\$ 22,040.5

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Statements of Consolidated Cash Flows (unaudited)

Nine Months Ended September 30, (in millions)	2021	2020
Operating Activities		
Net Income (Loss)	\$ 415.6	\$ (102.0)
Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating Activities:		
Loss on early extinguishment of debt	—	243.4
Depreciation and amortization	560.2	542.4
Deferred income taxes and investment tax credits	89.0	(70.8)
Loss on sale of assets	6.4	399.4
Other adjustments	17.3	14.1
Changes in Assets and Liabilities:		
Components of working capital	(154.4)	(148.6)
Regulatory assets/liabilities	54.8	9.9
Other noncurrent liabilities	(49.6)	(29.2)
Net Cash Flows from Operating Activities	939.3	858.6
Investing Activities		
Capital expenditures	(1,292.8)	(1,292.2)
Cost of removal	(94.0)	(102.1)
Payment to renewable generation asset developer	(7.4)	—
Other investing activities	—	(5.6)
Net Cash Flows used for Investing Activities	(1,394.2)	(1,399.9)
Financing Activities		
Proceeds from issuance of long-term debt	—	2,974.0
Repayments of long-term debt and finance lease obligations	(18.7)	(1,616.4)
Issuance of short-term debt (maturity > 90 days)	—	1,350.0
Repayment of short-term debt (maturity > 90 days)	—	(1,350.0)
Change in short-term borrowings, net (maturity ≤ 90 days)	(123.0)	(385.0)
Issuance of common stock, net of issuance costs	8.8	11.2
Equity costs, premiums and other debt related costs	(9.7)	(246.5)
Contributions from non-controlling interest, net of distributions	7.0	—
Issuance of equity units, net of underwriting costs	839.9	—
Dividends paid - common stock	(258.8)	(241.1)
Dividends paid - preferred stock	(35.7)	(35.7)
Contract liability payment	(24.2)	—
Net Cash Flows from Financing Activities	385.6	460.5
Change in cash, cash equivalents and restricted cash	(69.3)	(80.8)
Cash, cash equivalents and restricted cash at beginning of period	125.6	148.4
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 56.3	\$ 67.6

Supplemental Disclosures of Cash Flow Information

Nine Months Ended September 30, (in millions)	2021	2020
Non-cash transactions:		
Capital expenditures included in current liabilities	\$ 217.0	\$ 159.6
Dividends declared but not paid	105.8	99.9
Purchase contract liability, net of fees and payments ⁽¹⁾	145.4	—
Assets recorded for asset retirement obligations	—	70.3
Obligation to developer at formation of joint venture	\$ 6.0	\$ —

⁽¹⁾Refer to Note 5, "Equity," for additional information.

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Statements of Consolidated Equity (unaudited)

<i>(in millions)</i>	Common Stock	Preferred Stock ⁽¹⁾	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Consolidated Subsidiaries	Total
Balance as of July 1, 2021	\$ 3.9	\$ 1,718.8	\$ (99.9)	\$ 6,728.0	\$ (1,704.1)	\$ (123.6)	\$ 90.4	\$ 6,613.5
Comprehensive Income:								
Net income (loss)	—	—	—	—	63.2	—	(1.0)	62.2
Other comprehensive income, net of tax	—	—	—	—	—	6.2	—	6.2
Dividends:								
Common stock (\$0.22 per share)	—	—	—	—	(86.5)	—	—	(86.5)
Preferred stock (See Note 5)	—	—	—	—	(19.4)	—	—	(19.4)
Distribution to noncontrolling interest	—	—	—	—	—	—	(0.2)	(0.2)
Stock issuances:								
Equity Units	—	1.0	—	—	—	—	—	1.0
Employee stock purchase plan	—	—	—	1.2	—	—	—	1.2
Long-term incentive plan	—	—	—	4.0	—	—	—	4.0
401(k) and profit sharing	—	—	—	2.5	—	—	—	2.5
ATM program	—	—	—	(0.4)	—	—	—	(0.4)
Balance as of September 30, 2021	\$ 3.9	\$ 1,719.8	\$ (99.9)	\$ 6,735.3	\$ (1,746.8)	\$ (117.4)	\$ 89.2	\$ 6,584.1

⁽¹⁾Series A, Series B, and Series C shares have an aggregate liquidation preference of \$400M, \$500M, and \$863M, respectively. See Note 5, "Equity" for additional information.

<i>(in millions)</i>	Common Stock	Preferred Stock ⁽¹⁾	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Consolidated Subsidiaries	Total
Balance as of January 1, 2021	\$ 3.9	\$ 880.0	\$ (99.9)	\$ 6,890.1	\$ (1,765.2)	\$ (156.7)	\$ 85.6	\$ 5,837.8
Comprehensive Income:								
Net income (loss)	—	—	—	—	419.0	—	(3.4)	415.6
Other comprehensive income, net of tax	—	—	—	—	—	39.3	—	39.3
Dividends:								
Common stock (\$0.88 per share)	—	—	—	—	(345.5)	—	—	(345.5)
Preferred stock (See Note 5)	—	—	—	—	(55.1)	—	—	(55.1)
Contribution from noncontrolling interest, net of distributions	—	—	—	—	—	—	7.0	7.0
Stock issuances:								
Equity Units	—	839.8	—	(173.3)	—	—	—	666.5
Employee stock purchase plan	—	—	—	3.7	—	—	—	3.7
Long-term incentive plan	—	—	—	8.3	—	—	—	8.3
401(k) and profit sharing	—	—	—	7.2	—	—	—	7.2
ATM program	—	—	—	(0.7)	—	—	—	(0.7)
Balance as of September 30, 2021	\$ 3.9	\$ 1,719.8	\$ (99.9)	\$ 6,735.3	\$ (1,746.8)	\$ (117.4)	\$ 89.2	\$ 6,584.1

⁽¹⁾Series A, Series B, and Series C shares have an aggregate liquidation preference of \$400M, \$500M, and \$863M, respectively. See Note 5, "Equity" for additional information.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Statements of Consolidated Equity (unaudited) (continued)

<i>(in millions)</i>	Common Stock	Preferred Stock ⁽¹⁾	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Consolidated Subsidiaries	Total
Balance as of July 1, 2020	\$ 3.8	\$ 880.0	\$ (99.9)	\$ 6,676.5	\$ (1,576.7)	\$ (221.9)	\$ —	\$ 5,661.8
Comprehensive Loss:								
Net loss	—	—	—	—	(172.9)	—	—	(172.9)
Other comprehensive income, net of tax	—	—	—	—	—	28.3	—	28.3
Dividends:								
Common stock (\$0.21 per share)	—	—	—	—	(80.6)	—	—	(80.6)
Preferred stock (See Note 5)	—	—	—	—	(19.4)	—	—	(19.4)
Stock issuances:								
Employee stock purchase plan	—	—	—	1.5	—	—	—	1.5
Long-term incentive plan	—	—	—	3.2	—	—	—	3.2
401(k) and profit sharing	—	—	—	3.0	—	—	—	3.0
Balance as of September 30, 2020	\$ 3.8	\$ 880.0	\$ (99.9)	\$ 6,684.2	\$ (1,849.6)	\$ (193.6)	\$ —	\$ 5,424.9

⁽¹⁾Series A and Series B shares have an aggregate liquidation preference of \$400M and \$500M, respectively. See Note 5, "Equity" for additional information.

<i>(in millions)</i>	Common Stock	Preferred Stock ⁽¹⁾	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Consolidated Subsidiaries	Total
Balance as of January 1, 2020	\$ 3.8	\$ 880.0	\$ (99.9)	\$ 6,666.2	\$ (1,370.8)	\$ (92.6)	\$ —	\$ 5,986.7
Comprehensive Loss:								
Net loss	—	—	—	—	(102.0)	—	—	(102.0)
Other comprehensive loss, net of tax	—	—	—	—	—	(101.0)	—	(101.0)
Dividends:								
Common stock (\$0.84 per share)	—	—	—	—	(321.7)	—	—	(321.7)
Preferred stock (See Note 5)	—	—	—	—	(55.1)	—	—	(55.1)
Stock issuances:								
Employee stock purchase plan	—	—	—	4.2	—	—	—	4.2
Long-term incentive plan	—	—	—	3.1	—	—	—	3.1
401(k) and profit sharing	—	—	—	10.7	—	—	—	10.7
Balance as of September 30, 2020	\$ 3.8	\$ 880.0	\$ (99.9)	\$ 6,684.2	\$ (1,849.6)	\$ (193.6)	\$ —	\$ 5,424.9

⁽¹⁾Series A and Series B shares have an aggregate liquidation preference of \$400M and \$500M, respectively. See Note 5, "Equity" for additional information.

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.
Condensed Statements of Consolidated Equity (unaudited) (continued)

Shares (in thousands)	Preferred	Common		
	Shares	Shares	Treasury	Outstanding
Balance as of July 1, 2021	1,303	396,292	(3,963)	392,329
Issued:				
Employee stock purchase plan	—	52	—	52
Long-term incentive plan	—	151	—	151
401(k) and profit sharing	—	97	—	97
Balance as of September 30, 2021	1,303	396,592	(3,963)	392,629

Shares (in thousands)	Preferred	Common		
	Shares	Shares	Treasury	Outstanding
Balance as of January 1, 2021	440	395,723	(3,963)	391,760
Issued:				
Equity Units	863	—	—	—
Employee stock purchase plan	—	158	—	158
Long-term incentive plan	—	414	—	414
401(k) and profit sharing	—	297	—	297
Balance as of September 30, 2021	1,303	396,592	(3,963)	392,629

Shares (in thousands)	Preferred	Common		
	Shares	Shares	Treasury	Outstanding
Balance as of July 1, 2020	440	386,880	(3,963)	382,917
Issued:				
Employee stock purchase plan	—	65	—	65
Long-term incentive plan	—	2	—	2
401(k) and profit sharing	—	130	—	130
Balance as of September 30, 2020	440	387,077	(3,963)	383,114

Shares (in thousands)	Preferred	Common		
	Shares	Shares	Treasury	Outstanding
Balance as of January 1, 2020	440	386,099	(3,963)	382,136
Issued:				
Employee stock purchase plan	—	171	—	171
Long-term incentive plan	—	381	—	381
401(k) and profit sharing	—	426	—	426
Balance as of September 30, 2020	440	387,077	(3,963)	383,114

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Accounting Presentation

Our accompanying Condensed Consolidated Financial Statements (unaudited) reflect all normal recurring adjustments that are necessary, in the opinion of management, to present fairly the results of operations in accordance with GAAP in the United States of America. The accompanying financial statements include the accounts of us, our majority-owned subsidiaries, and VIEs of which we are the primary beneficiary after the elimination of all intercompany accounts and transactions.

The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. Income for interim periods may not be indicative of results for the calendar year due to weather variations and other factors.

The Condensed Consolidated Financial Statements (unaudited) have been prepared pursuant to the rules and regulations of the SEC. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made in this Quarterly Report on Form 10-Q are adequate to make the information herein not misleading.

2. Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements

We are currently evaluating the impact of certain ASUs on our Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited), which are described below:

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* and in January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*. These pronouncements provide temporary optional expedients and exceptions for applying GAAP principles to contract modifications and hedging relationships to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. These pronouncements are effective upon issuance on March 12, 2020, and will apply through December 31, 2022. We have evaluated the temporary expedients and options available under this guidance and identified the financial instruments to which the expedients could be applied, if deemed necessary. As of September 30, 2021, we have not applied any expedients and options available under this ASU.

In August 2020, the FASB issued ASU 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivative and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. This pronouncement simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. Specifically, the ASU "simplifies accounting for convertible instruments by removing major separation models required under current GAAP." In addition, the ASU "removes certain settlement conditions that are required for equity contracts to qualify for it" and "simplifies the diluted earnings per share (EPS) calculations in certain areas." This pronouncement is effective for the annual period beginning after December 15, 2021, and interim periods within those fiscal years. This accounting pronouncement will impact the denominator in the calculation of diluted EPS for our Equity Units. Beginning Q1 2022, we will be required to assume share settlement of the remaining purchase contract liability balance when applying the if-converted method. Moreover, we will also be required to utilize the average share price for the period instead of the end of period price. We will adopt this ASU on its effective date.

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This pronouncement simplifies the accounting for income taxes by eliminating certain exceptions to the general principles in ASC 740, income taxes. It also improves consistency of application for other areas of the guidance by clarifying and amending existing guidance. We adopted the amendments of this pronouncement as of January 1, 2021 with no material impact to the Condensed Consolidated Financial Statements (unaudited).

3. Revenue Recognition

Revenue Disaggregation and Reconciliation. We disaggregate revenue from contracts with customers based upon reportable segment, as well as by customer class. The Gas Distribution Operations segment provides natural gas service and transportation

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, and Indiana. The Electric Operations segment provides electric service in 20 counties in the northern part of Indiana.

The tables below reconcile revenue disaggregation by customer class to segment revenue, as well as to revenues reflected on the Condensed Statements of Consolidated Income (Loss) (unaudited) for the three and nine months ended September 30, 2021 and September 30, 2020:

Three Months Ended September 30, 2021 (in millions)	Gas Distribution Operations	Electric Operations	Corporate and Other ⁽²⁾	Total
Customer Revenues⁽¹⁾				
Residential	\$ 304.3	\$ 178.7	\$ —	\$ 483.0
Commercial	99.2	151.6	—	250.8
Industrial	41.0	125.7	—	166.7
Off-system	14.5	—	—	14.5
Miscellaneous	4.6	(1.0)	0.2	3.8
Total Customer Revenues	\$ 463.6	\$ 455.0	\$ 0.2	\$ 918.8
Other Revenues	8.7	23.9	8.0	40.6
Total Operating Revenues	\$ 472.3	\$ 478.9	\$ 8.2	\$ 959.4

⁽¹⁾Customer revenue amounts exclude intersegment revenues. See Note 18, "Business Segment Information," for discussion of intersegment revenues.

⁽²⁾Other revenues related to the Transition Services Agreement entered into in connection with the sale of the Massachusetts Business.

Three Months Ended September 30, 2020 (in millions)	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Customer Revenues⁽¹⁾				
Residential	\$ 306.9	\$ 164.8	\$ —	\$ 471.7
Commercial	91.8	132.3	—	224.1
Industrial	42.8	102.7	—	145.5
Off-system	6.0	—	—	6.0
Miscellaneous	6.8	7.2	0.2	14.2
Total Customer Revenues	\$ 454.3	\$ 407.0	\$ 0.2	\$ 861.5
Other Revenues	15.8	25.2	—	41.0
Total Operating Revenues	\$ 470.1	\$ 432.2	\$ 0.2	\$ 902.5

⁽¹⁾Customer revenue amounts exclude intersegment revenues. See Note 18, "Business Segment Information," for discussion of intersegment revenues.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Nine Months Ended September 30, 2021 (in millions)	Gas Distribution Operations	Electric Operations	Corporate and Other ⁽²⁾	Total
Customer Revenues⁽¹⁾				
Residential	\$ 1,456.5	\$ 439.8	\$ —	\$ 1,896.3
Commercial	496.0	404.4	—	900.4
Industrial	142.9	367.7	—	510.6
Off-system	46.0	—	—	46.0
Miscellaneous	19.2	4.6	0.6	24.4
Total Customer Revenues	\$ 2,160.6	\$ 1,216.5	\$ 0.6	\$ 3,377.7
Other Revenues	21.8	68.4	23.1	113.3
Total Operating Revenues	\$ 2,182.4	\$ 1,284.9	\$ 23.7	\$ 3,491.0

⁽¹⁾Customer revenue amounts exclude intersegment revenues. See Note 18, "Business Segment Information," for discussion of intersegment revenues.

⁽²⁾Other revenues related to the Transition Services Agreement entered into in connection with the sale of the Massachusetts Business.

Nine Months Ended September 30, 2020 (in millions)	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Customer Revenues⁽¹⁾				
Residential	\$ 1,518.1	\$ 411.5	\$ —	\$ 1,929.6
Commercial	483.9	365.4	—	849.3
Industrial	165.6	301.1	—	466.7
Off-system	32.7	—	—	32.7
Miscellaneous	24.6	16.6	0.6	41.8
Total Customer Revenues	\$ 2,224.9	\$ 1,094.6	\$ 0.6	\$ 3,320.1
Other Revenues	79.5	71.1	—	150.6
Total Operating Revenues	\$ 2,304.4	\$ 1,165.7	\$ 0.6	\$ 3,470.7

⁽¹⁾Customer revenue amounts exclude intersegment revenues. See Note 18, "Business Segment Information," for discussion of intersegment revenues.

Customer Accounts Receivable. Accounts receivable on our Condensed Consolidated Balance Sheets (unaudited) includes both billed and unbilled amounts, as well as certain amounts that are not related to customer revenues. Unbilled amounts of accounts receivable relate to a portion of a customer's consumption of gas or electricity from the date of the last cycle billing through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage, customer rates and weather. A significant portion of our operations are subject to seasonal fluctuations in sales. During the heating season, primarily from November through March, revenues and receivables from gas sales are more significant than in other months. The opening and closing balances of customer receivables for the nine months ended September 30, 2021 are presented in the table below. We had no significant contract assets or liabilities during the period. Additionally, we have not incurred any significant costs to obtain or fulfill contracts.

(in millions)	Customer Accounts Receivable, Billed (less reserve)	Customer Accounts Receivable, Unbilled (less reserve)
Balance as of December 31, 2020	\$ 400.0	\$ 327.2
Balance as of September 30, 2021	272.7	204.5

Utility revenues are billed to customers monthly on a cycle basis. We expect that substantially all customer accounts receivable will be collected following customer billing, as this revenue consists primarily of periodic, tariff-based billings for service and usage. We maintain common utility credit risk mitigation practices, including requiring deposits and actively pursuing collection of past due amounts. Our regulated operations also utilize certain regulatory mechanisms that facilitate recovery of bad debt costs within tariff-based rates, which provides further evidence of collectibility. It is probable that substantially all of the consideration to which we are entitled from customers will be collected upon satisfaction of performance obligations.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Allowance for Credit Losses. To evaluate for expected credit losses, customer account receivables are pooled based on similar risk characteristics, such as customer type, geography, payment terms, and related macro-economic risks. Expected credit losses are established using a model that considers historical collections experience, current information, and reasonable and supportable forecasts. Internal and external inputs are used in our credit model including, but not limited to, energy consumption trends, revenue projections, actual charge-offs data, recoveries data, shut-offs, and final bill data. We continuously evaluate available information relevant to assessing collectability of current and future receivables. We evaluate creditworthiness of specific customers periodically or following changes in facts and circumstances. When we become aware of a specific commercial or industrial customer's inability to pay, an allowance for expected credit losses is recorded for the relevant amount. We also monitor other circumstances that could affect our overall expected credit losses including, but not limited to, creditworthiness of overall population in service territories, adverse conditions impacting an industry sector, and current economic conditions.

At each reporting period, we record expected credit losses to an allowance for credit losses account. When deemed to be uncollectible, customer accounts are written-off. A rollforward of our allowance for credit losses as of September 30, 2021 and December 31, 2020 are presented in the table below:

<i>(in millions)</i>	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Balance as of January 1, 2021	\$ 41.8	\$ 9.7	\$ 0.8	\$ 52.3
Current period provisions	7.7	(0.6)	—	7.1
Write-offs charged against allowance	(34.7)	(6.2)	—	(40.9)
Recoveries of amounts previously written off	9.4	0.4	—	9.8
Balance as of September 30, 2021	\$ 24.2	\$ 3.3	\$ 0.8	\$ 28.3

<i>(in millions)</i>	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Balance as of January 1, 2020	\$ 9.1	\$ 3.1	\$ 0.8	\$ 13.0
Current period provisions	45.3	9.3	—	54.6
Write-offs charged against allowance	(26.7)	(3.0)	—	(29.7)
Recoveries of amounts previously written off	14.1	0.3	—	14.4
Balance as of December 31, 2020	\$ 41.8	\$ 9.7	\$ 0.8	\$ 52.3

In connection with the COVID-19 pandemic, certain state regulatory commissions instituted regulatory moratoriums that impacted our ability to pursue our standard credit risk mitigation practices. Following the issuance of these moratoriums, certain of our regulated operations have been authorized to recognize a regulatory asset for bad debt costs above levels currently recovered in rates. At the balance sheet date, in addition to our evaluation of the allowance for credit losses discussed above, we considered benefits available under governmental COVID-19 relief programs, the impact of unemployment benefits initiatives, and flexible payment plans being offered to customers affected by or experiencing hardship as a result of the pandemic, which could help to mitigate the potential for increasing customer account delinquencies. We also considered the on-time bill payment promotion and robust customer marketing strategy for energy assistance programs that we have implemented. Based upon this evaluation, we have concluded that the allowance for credit losses as of September 30, 2021 adequately reflected the collection risk and net realizable value for our receivables. We have now resumed our common credit mitigation practices in all jurisdictions as all moratoriums have expired (see Note 7, "Regulatory Matters," for additional information on regulatory moratoriums and regulatory assets).

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

4. Earnings Per Share

The calculations of basic and diluted EPS are based on the weighted average number of shares of common stock and potential common stock outstanding during the period. For the purposes of determining diluted EPS, the effects of the purchase contracts included within the Equity Units were included in the calculation of potential common stock outstanding for the three and nine months ended September 30, 2021 using the if-converted method under US GAAP. This method assumes conversion at the beginning of the reporting period, or at time of issuance, if later. For the purchase contracts, the number of shares of our common stock that would be issuable at the end of each reporting period will be reflected in the denominator of our diluted EPS calculation. If the stock price falls below the initial reference price of \$24.51, the number of shares of our common stock used in calculating diluted EPS will be the maximum number of shares per the contract as described in Note 5, "Equity." Conversely, if the stock price is above the initial reference price of \$24.51, a variable number of shares of our common stock will be used in calculating diluted EPS. A numerator adjustment was reflected in the calculation of diluted EPS for interest expense incurred in 2021, net of tax, related to the purchase contracts.

The Series C Mandatory Convertible Preferred Stock included within the Equity Units represent contingently convertible securities as the conversion is contingent on a successful remarketing as described in Note 5, "Equity." Contingently convertible shares where conversion is not tied to a market price trigger are excluded from the calculation of diluted EPS until such time as the contingency has been resolved under the if-converted method. As of September 30, 2021, the contingency was not resolved and thus no shares were reflected in the denominator in the calculation of diluted EPS for the three and nine months ended September 30, 2021.

Diluted EPS also includes the incremental effects of the various long-term incentive compensation plans and the open ATM forward agreements during the period under the treasury stock method when the impact would be dilutive. Refer to Note 5, "Equity," for more information on our ATM forward agreements.

For the three and nine months ended September 30, 2020, we had a net loss on the Condensed Statements of Consolidated Income (Loss) (unaudited) during the period, and any potentially dilutive shares would have had an anti-dilutive impact on EPS. The following table presents the calculation of our basic and diluted EPS:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
<i>(in millions, except per share amounts)</i>				
Numerator:				
Net Income (Loss) Available to Common Shareholders - Basic	\$ 49.4	\$ (186.7)	\$ 377.6	\$ (143.4)
Dilutive effect of Equity Units	0.6	—	1.0	—
Net Income (Loss) Available to Common Shareholders - Diluted	\$ 50.0	\$ (186.7)	\$ 378.6	\$ (143.4)
Denominator:				
Average common shares outstanding - Basic	393.2	383.8	392.9	383.5
Dilutive potential common shares:				
Equity Units	35.2	—	21.3	—
Shares contingently issuable under employee stock plans	0.9	—	0.7	—
Shares restricted under employee stock plans	0.3	—	0.3	—
Forward Agreements	0.7	—	0.6	—
Average Common Shares - Diluted	430.3	383.8	415.8	383.5
Earnings per common share:				
Basic	\$ 0.13	\$ (0.49)	\$ 0.96	\$ (0.37)
Diluted	\$ 0.12	\$ (0.49)	\$ 0.91	\$ (0.37)

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

5. Equity

ATM Program and Forward Sale Agreements. On February 22, 2021, we entered into six separate equity distribution agreements pursuant to which we are able to sell up to an aggregate of \$750.0 million of our common stock.

On February 23, 2021, under the ATM program, we executed a forward sale agreement, which allows us to issue a fixed number of shares at a price to be settled in the future. From February 24, 2021 to March 17, 2021, the forward purchaser under our forward sale agreement borrowed 6,672,740 shares from third parties, which the forward purchaser sold, through its affiliated agent, at a weighted average price of \$22.48 per share. We may settle the forward sale agreement in shares, cash, or net shares by December 15, 2021. Had we settled all the shares under the forward sale agreement at September 30, 2021, we would have received approximately \$145.0 million, based on a net price of \$21.73 per share.

On June 1, 2021, under the ATM program, we executed a forward sale agreement, which allows us to issue a fixed number of shares at a price to be settled in the future. From June 1, 2021 to June 11, 2021, the forward purchaser under our forward sale agreement borrowed 5,852,475 shares from third parties, which the forward purchaser sold, through its affiliated agent, at a weighted average price of \$25.63 per share. We may settle the forward sale agreement in shares, cash, or net shares by December 15, 2021. Had we settled all the shares under the forward sale agreement at September 30, 2021, we would have received approximately \$146.9 million, based on a net price of \$25.10 per share.

On August 9, 2021, under the ATM program, we executed a forward sale agreement, which allows us to issue a fixed number of shares at a price to be settled in the future. From August 9, 2021 to September 1, 2021, the forward purchaser under our forward sale agreement borrowed 5,941,598 shares from third parties, which the forward purchaser sold, through its affiliated agent, at a weighted average price of \$25.25 per share. We may settle the forward sale agreement in shares, cash, or net shares by December 15, 2022. Had we settled all the shares under the forward sale agreement at September 30, 2021, we would have received approximately \$148.4 million, based on a net price of \$24.97 per share.

As of September 30, 2021, the ATM program (including the impacts of the forward sale agreements discussed above) had approximately \$300.0 million of equity available for issuance. The program expires on December 31, 2023.

Preferred Stock. As of September 30, 2021, we had 20,000,000 shares of preferred stock authorized for issuance, of which 1,302,500 shares of preferred stock in the aggregate for all series were outstanding. The following table displays preferred dividends declared for the period by outstanding series of shares:

	Liquidation Preference Per Share	Shares	Three Months Ended September 30,		Nine Months Ended September 30,		September	December 31,
			2021	2020	2021	2020	30, 2021	2020
(in millions except shares and per share amounts)			Dividends Declared Per Share				Outstanding	
5.650% Series A	\$ 1,000.00	400,000	28.25	28.25	56.50	56.50	\$ 393.9	\$ 393.9
6.500% Series B	\$ 25,000.00	20,000	406.25	406.25	1,625.00	1,625.00	\$ 486.1	\$ 486.1
Series C ⁽¹⁾	\$ 1,000.00	862,500	—	—	—	—	\$ 839.8	\$ —

⁽¹⁾The Series C Mandatory Convertible Preferred Stock initially will not bear any dividends.

In addition, 20,000 shares of Series B-1 Preferred Stock, par value \$0.01 per share, were outstanding as of September 30, 2021. Holders of Series B-1 Preferred Stock are not entitled to receive dividend payments and have no conversion rights. The Series B-1 Preferred Stock is paired with the Series B Preferred Stock and may not be transferred, redeemed or repurchased except in connection with the simultaneous transfer, redemption or repurchase of the underlying Series B Preferred Stock.

As of September 30, 2021 and 2020, Series A Preferred Stock had \$6.7 million of cumulative preferred dividends in arrears, or \$16.63 per share, and Series B Preferred Stock had \$1.4 million of cumulative preferred dividends in arrears, or \$72.23 per share.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Equity Units. On April 19, 2021, we completed the sale of 8.625 million Equity Units, initially consisting of Corporate Units, each with a stated amount of \$100. The offering generated net proceeds of \$835.5 million, after underwriting and issuance expenses. Each Corporate Unit consists of a forward contract to purchase shares of our common stock in the future and a 1/10th, or 10%, undivided beneficial ownership interest in one share of Series C Mandatory Convertible Preferred Stock, par value \$0.01 per share, with a liquidation preference of \$1,000 per share.

The purchase contract obligates holders to purchase shares of our common stock on December 1, 2023, subject to early settlement in certain situations. The purchase price paid under the purchase contract is \$100 and the number of shares to be purchased will be determined under a settlement rate formula based on the volume-weighted average share price of our common stock near the settlement date, subject to a maximum settlement rate. The Series C Mandatory Convertible Preferred Stock will initially be pledged upon issuance as collateral to secure the purchase of common stock under the related purchase contracts.

We will pay quarterly contract adjustment payments at the rate of 7.75% per year on the stated amount of \$100 per Equity Unit. The contract adjustment payments are payable in cash, shares of our common stock or a combination thereof, at our election. We have the right to defer the payment of contract adjustment payments until no later than the purchase contract settlement date. If we exercise our option to defer the payment of contract adjustment payments, then until the deferred contract adjustment payments have been paid, we will not declare or pay any dividends on, or make any distributions on, or redeem, purchase or acquire, or make a liquidation payment with respect to, any shares of our capital stock; make any payment of principal of, or interest or premium, if any, on, or repay, repurchase or redeem any of our debt securities that rank on parity with, or junior to, the contract adjustment payments; or make any guarantee payments under any guarantee by us of securities of any of our subsidiaries if our guarantee ranks on parity with, or junior to, the contract adjustment payments.

The Series C Mandatory Convertible Preferred Stock initially will not bear any dividends and the liquidation preference of the mandatory convertible preferred stock will not accrete. The Series C Mandatory Convertible Preferred Stock is expected to be remarketed prior to December 1, 2023. Following a successful remarketing, dividends may become payable on the Series C Mandatory Convertible Preferred Stock and/or the minimum conversion rate of the Series C Mandatory Convertible Preferred Stock may be increased. Each share of Series C Mandatory Convertible Preferred Stock, unless previously converted, will automatically convert based on a conversion rate on the mandatory conversion date, which is expected to be on or about March 1, 2024. The conversion rate will be determined based on the volume-weighted average share price of our common stock near the conversion date, subject to a minimum and maximum conversion rate. If no successful remarketing of the Series C Mandatory Convertible Preferred Stock has previously occurred, effective as of December 1, 2023, the conversion rate will be zero, no shares of our common stock will be delivered upon automatic conversion and each share of Series C Mandatory Convertible Preferred Stock will be automatically transferred to us on the mandatory conversion date without any payment of cash or shares of our common stock thereon. In the event of such a remarketing failure, any shares of Series C Mandatory Convertible Preferred Stock held as part of Corporate Units will be automatically delivered to us on December 1, 2023 in full satisfaction of the relevant holder's obligation under the related purchase contracts.

We recorded the initial present value of the purchase contract payments as a liability with a corresponding reduction to additional-paid-in-capital. The current portion of this liability is included in "Other accruals," and the noncurrent portion is included in "Other noncurrent liabilities" on the Condensed Consolidated Balance Sheets (unaudited). Purchase contract payments are recorded against this liability. Accretion of the stock purchase contract liability is recorded as interest expense. Refer to Note 4, "Earnings Per Share," for additional information regarding our application of diluted EPS to the purchase contracts and the Series C Mandatory Convertible Preferred Stock. Under the terms of the Equity Units, assuming no anti-dilution or other adjustments, the maximum number of shares of common stock we will issue under the purchase contracts is 35.2 million and maximum number of shares of common stock we will issue under the Series C Mandatory Convertible Preferred Stock is 35.2 million.

Selected information about the Equity Units is presented below:

<i>(in millions except contract rate)</i>	Issuance Date	Units Issued	Total Net Proceeds ⁽¹⁾	Purchase Contract Annual Rate	Purchase Contract Liability ⁽²⁾
Equity Units	April 19, 2021	8.625 \$	835.5	7.75 % \$	168.8

⁽¹⁾Issuance costs of \$27.0 million were recorded on a relative fair value basis as a reduction to preferred stock of \$22.5 million and a reduction to the purchase contract liability of \$4.5 million.
⁽²⁾Cash payments of \$16.7 million and \$24.5 million were made during the three and nine months ended September 30, 2021. The purchase contract liability was \$145.4 million at September 30, 2021.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

6. Property, Plant and Equipment

In 2020, MISO approved NIPSCO's plan to retire the R.M. Schahfer Generating Station Units 14, 15, 17 and 18 in 2023. The December 2019 NIPSCO electric rate case order included approval to create a regulatory asset upon the retirement of the R.M. Schahfer Generating Station. The order allows for the recovery of, and on, the net book value of the station by the end of 2032. On March 11, 2021, NIPSCO submitted separate Attachment Y Notices for Units 14 and 15 seeking a suspension date of October 1, 2021 for both coal fired units at R.M. Schahfer Generating Station. On May 28, 2021, NIPSCO received approval from MISO to suspend and retire these two units on October 1, 2021. The remaining two units are still scheduled to be retired in 2023.

In connection with MISO's approvals of NIPSCO's planned retirement of the R.M. Schahfer Generating Station, we recorded plant retirement-related charges of zero and \$4.6 million for the three and nine months ended September 30, 2020, respectively, comprised of write downs of certain capital projects that have been cancelled and materials and supplies inventory balances deemed obsolete due to the planned retirement. As a result of the accelerated retirements of Units 14 and 15, we recorded severance charges and wrote down additional obsolete inventory. These charges totaled \$3.6 million and \$12.2 million for the three and nine months ended September 30, 2021, respectively. These charges are presented within "Operation and maintenance" on the Condensed Statements of Consolidated Income (Loss). At retirement, the net book value of each retired unit will be reclassified from "Net Property, Plant and Equipment," to current and long-term "Regulatory Assets." The total net book value of R.M. Schahfer Generating Station's four coal units and other associated plant estimated to be retired was \$831.8 million at September 30, 2021. Refer to Note 19, "Subsequent Event," for additional information.

On April 28, 2021, in response to a Motion filed by certain parties in NIPSCO's quarterly FAC proceeding, the IURC created a sub-docket proceeding in order to receive additional information related to the retirements of Units 14 and 15 on October 1, 2021 and any resulting cost impacts to customers.

7. Regulatory Matters

COVID-19 Regulatory Filings

In response to COVID-19, we received approvals or directives from the regulatory commissions in the states in which we operate. The ongoing impacts of these approvals or directives are described in the table below:

Jurisdiction	Moratorium in Place?	Regulatory Asset balance as of September 30, 2021 (in millions)	Regulatory Asset balance as of December 31, 2020 (in millions)	Deferred COVID-19 Costs
Columbia of Ohio	No	\$ 2.1	\$ 2.0	Incremental operation and maintenance expenses
NIPSCO	No	\$ 2.2	\$ 9.2	Incremental bad debt expense and the costs to implement the requirements of the COVID-19 related order
Columbia of Pennsylvania	No	\$ 6.5	\$ 5.4	Incremental bad debt expense incurred from March 13, 2020 through December 31, 2021, above levels currently in rates
Columbia of Virginia	No	\$ 1.4	\$ —	Incremental incurred costs (including incremental bad debt expense), subject to an earnings test review
Columbia of Maryland	No	\$ 0.9	\$ 0.7	Incremental costs (including incremental bad debt expense) incurred to ensure that customers have essential utility service during the state of emergency in Maryland. Such incremental costs must be offset by any benefit received in connection with the pandemic

The Pennsylvania PUC adopted an order on March 11, 2021, and subsequently reaffirmed their stance in a June 23, 2021 order, which lifted its prior pandemic-related moratorium on service terminations for non-payments of utility bills beginning April 1, 2021. Pursuant to that order, Pennsylvania utilities are required to offer payment plans on billing arrearages, with the length of such payment plans depending on a customer's income level. Pursuant to a subsequent order, Pennsylvania utilities were no longer required to offer these extended pandemic-related payment arrangements to customers in arrears as of October 1, 2021.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

For Columbia of Virginia, the moratorium on non-residential disconnections ended on October 6, 2020, and the moratorium on residential disconnections and late payment fees ended on August 30, 2021. Legislative and regulatory requirements extending COVID-19 payment plans between 6 and 24 months remain in place.

In conjunction with the order issued by the PSC of Maryland on June 15, 2021, all termination moratoriums will be lifted the later of November 1, 2021 or 30 days after the Maryland Relief Act funds have been applied to customer accounts. Columbia of Maryland received approximately \$0.8 million of assistance that were applied to customer accounts in August 2021 in accordance with the terms of the order. As such, all termination moratoriums were lifted and normal collections procedures resumed on November 1, 2021.

Unless otherwise noted above, all other pandemic-related regulatory actions have expired or been lifted.

8. Risk Management Activities

We are exposed to certain risks relating to our ongoing business operations, namely commodity price risk and interest rate risk. We recognize that the prudent and selective use of derivatives may help to lower our cost of debt capital, manage our interest rate exposure and limit volatility in the price of natural gas.

Risk management assets and liabilities on our derivatives are presented on the Condensed Consolidated Balance Sheets (unaudited) as shown below:

<i>(in millions)</i>	September 30, 2021		December 31, 2020	
Risk Management Assets - Current⁽¹⁾				
Interest rate risk programs	\$	—	\$	—
Commodity price risk programs		27.9		10.4
Total	\$	27.9	\$	10.4
Risk Management Assets - Noncurrent⁽²⁾				
Interest rate risk programs	\$	—	\$	—
Commodity price risk programs		18.8		2.8
Total	\$	18.8	\$	2.8
Risk Management Liabilities - Current⁽³⁾				
Interest rate risk programs	\$	46.6	\$	70.9
Commodity price risk programs		0.4		7.3
Total	\$	47.0	\$	78.2
Risk Management Liabilities - Noncurrent⁽⁴⁾				
Interest rate risk programs	\$	68.8	\$	99.5
Commodity price risk programs		6.9		45.1
Total	\$	75.7	\$	144.6

⁽¹⁾Presented in "Prepayments and other" on the Condensed Consolidated Balance Sheets (unaudited).

⁽²⁾Presented in "Deferred charges and other" on the Condensed Consolidated Balance Sheets (unaudited).

⁽³⁾Presented in "Other accruals" on the Condensed Consolidated Balance Sheets (unaudited).

⁽⁴⁾Presented in "Other noncurrent liabilities" on the Condensed Consolidated Balance Sheets (unaudited).

Commodity Price Risk Management

We, along with our utility customers, are exposed to variability in cash flows associated with natural gas purchases and volatility in natural gas prices. We purchase natural gas for sale and delivery to our retail, commercial and industrial customers, and for most customers the variability in the market price of gas is passed through in their rates. Some of our utility subsidiaries offer programs to certain customers whereby variability in the market price of gas is assumed by the respective utility. The objective of our commodity price risk programs is to mitigate the gas cost variability, for us or on behalf of our customers, associated with natural gas purchases or sales by economically hedging the various gas cost components using a combination of futures, options, forwards or other derivative contracts.

NIPSCO received IURC approval to lock in a fixed price for its natural gas customers using long-term forward purchase instruments. The term of these instruments may range from five to 10 years and is limited to 20% of NIPSCO's average annual

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

GCA purchase volume. Gains and losses on these derivative contracts are deferred as regulatory liabilities or assets and are remitted to or collected from customers through NIPSCO's quarterly GCA mechanism. These instruments are not designated as accounting hedges.

Interest Rate Risk Management

As of September 30, 2021, we have two forward-starting interest rate swaps with an aggregate notional value totaling \$500.0 million to hedge the variability in cash flows attributable to changes in the benchmark interest rate during the periods from the effective dates of the swaps to the anticipated dates of forecasted debt issuances, which are expected to take place between 2022 and 2024. These interest rate swaps are designated as cash flow hedges. The gains and losses related to these swaps are recorded to AOCI and will be recognized in "Interest expense, net" concurrently with the recognition of interest expense on the associated debt, once issued. If it becomes probable that a hedged forecasted transaction will no longer occur, the accumulated gains or losses on the derivative will be recognized currently in "Other, net" in the Condensed Statements of Consolidated Income (Loss) (unaudited).

There were no amounts excluded from effectiveness testing for derivatives in cash flow hedging relationships at September 30, 2021 and December 31, 2020.

Our derivative instruments measured at fair value as of September 30, 2021 and December 31, 2020 do not contain any credit-risk-related contingent features.

9. Fair Value

A. Fair Value Measurements

Recurring Fair Value Measurements

The following tables present financial assets and liabilities measured and recorded at fair value on our Condensed Consolidated Balance Sheets (unaudited) on a recurring basis and their level within the fair value hierarchy as of September 30, 2021 and December 31, 2020:

Recurring Fair Value Measurements September 30, 2021 (in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2021
Assets				
Risk management assets	\$ —	\$ 46.7	\$ —	\$ 46.7
Available-for-sale debt securities	—	168.9	—	168.9
Total	\$ —	\$ 215.6	\$ —	\$ 215.6
Liabilities				
Risk management liabilities	\$ —	\$ 122.7	\$ —	\$ 122.7
Total	\$ —	\$ 122.7	\$ —	\$ 122.7

Recurring Fair Value Measurements December 31, 2020 (in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2020
Assets				
Risk management assets	\$ —	\$ 13.2	\$ —	\$ 13.2
Available-for-sale debt securities	—	170.9	—	170.9
Total	\$ —	\$ 184.1	\$ —	\$ 184.1
Liabilities				
Risk management liabilities	\$ —	\$ 222.8	\$ —	\$ 222.8
Total	\$ —	\$ 222.8	\$ —	\$ 222.8

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Risk Management Assets and Liabilities. Risk management assets and liabilities include interest rate swaps, exchange-traded NYMEX futures and NYMEX options and non-exchange-based forward purchase contracts.

Level 1- When utilized, exchange-traded derivative contracts are based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore, nonperformance risk has not been incorporated into these valuations. These financial assets and liabilities are deemed to be cleared and settled daily by NYMEX as the related cash collateral is posted with the exchange. As a result of this exchange rule, NYMEX derivatives are considered to have no fair value at the balance sheet date for financial reporting purposes, and are presented in Level 1 net of posted cash; however, the derivatives remain outstanding and are subject to future commodity price fluctuations until they are settled in accordance with their contractual terms.

Level 2- Certain non-exchange-traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards, and options. In certain instances, these instruments may utilize models to measure fair value. We use a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability and market-corroborated inputs, (i.e., inputs derived principally from or corroborated by observable market data by correlation or other means). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized within Level 2.

Level 3- Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized within Level 3.

Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements which reduce exposures. As of September 30, 2021 and December 31, 2020, there were no material transfers between fair value hierarchies. Additionally, there were no changes in the method or significant assumptions used to estimate the fair value of our financial instruments.

Credit risk is considered in the fair value calculation of each of our forward-starting interest rate swaps, as described in Note 8, "Risk Management Activities." As they are based on observable data and valuations of similar instruments, the hedges are categorized within Level 2 of the fair value hierarchy. There was no exchange of premium at the initial date of the swaps, and we can settle the contracts at any time.

NIPSCO has entered into long-term forward natural gas purchase instruments to lock in a fixed price for its natural gas customers. We value these contracts using a pricing model that incorporates market-based information when available, as these instruments trade less frequently and are classified within Level 2 of the fair value hierarchy. For additional information, see Note 8, "Risk Management Activities."

Available-for-Sale Debt Securities. Available-for-sale debt securities are investments pledged as collateral for trust accounts related to our wholly owned insurance company. We value U.S. Treasury, corporate debt and mortgage-backed securities using a matrix pricing model that incorporates market-based information. These securities trade less frequently and are classified within Level 2.

At each reporting date, we quantitatively and qualitatively assess available-for-sale debt securities for impairment. For securities in a loss position that we intend to hold, we perform an analysis to determine whether the unrealized loss is related to credit factors. The analysis focuses on a variety of factors that include, but are not limited to, downgrade on ratings of the security, defaults in the current reporting period or projected defaults in the future, the security's yield spread over treasuries, and other relevant market data. If the unrealized loss is not related to credit factors, it is included in other comprehensive income. If the unrealized loss is related to credit factors, the loss is recognized as credit loss expense in earnings during the period, with an offsetting entry to the allowance for credit losses. The amount of the credit loss recorded to the allowance account is limited by the amount at which the security's fair value is less than its amortized cost basis. If the credit losses in the allowance for credit losses are deemed uncollectible, the allowance on the uncollectible portion is charged off, with an offsetting entry to the carrying value of the security. Subsequent improvements to the estimated credit losses of available-for-sale debt securities are recognized immediately in earnings. As of September 30, 2021 and December 31, 2020, we recorded \$0.2 million and \$0.5 million, respectively, as an allowance for credit losses on available-for-sale debt securities as a result of

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

the analysis described above. Continuous credit monitoring and portfolio credit balancing mitigates our risk of credit losses on our available-for-sale debt securities.

The amortized cost, gross unrealized gains and losses, allowance for credit losses, and fair value of available-for-sale securities at September 30, 2021 and December 31, 2020 were:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses ⁽¹⁾	Allowance for Credit Losses	Fair Value
September 30, 2021 (in millions)					
Available-for-sale debt securities					
U.S. Treasury debt securities	\$ 45.7	\$ 0.2	\$ (0.2)	\$ —	\$ 45.7
Corporate/Other debt securities	118.9	5.0	(0.5)	(0.2)	123.2
Total	\$ 164.6	\$ 5.2	\$ (0.7)	\$ (0.2)	\$ 168.9

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses ⁽²⁾	Allowance for Credit Losses	Fair Value
December 31, 2020 (in millions)					
Available-for-sale debt securities					
U.S. Treasury debt securities	\$ 33.7	\$ 0.3	\$ —	\$ —	\$ 34.0
Corporate/Other debt securities	130.2	7.7	(0.5)	(0.5)	136.9
Total	\$ 163.9	\$ 8.0	\$ (0.5)	\$ (0.5)	\$ 170.9

⁽¹⁾Fair value of U.S. Treasury debt securities and Corporate/Other debt securities in an unrealized loss position without an allowance for credit losses is \$28.4 million and \$25.8 million, respectively, at September 30, 2021.

⁽²⁾Fair value of U.S. Treasury debt securities and Corporate/Other debt securities in an unrealized loss position without an allowance for credit losses is zero and \$13.2 million, respectively, at December 31, 2020.

Realized gains and losses on available-for-sale securities were immaterial for the three and nine months ended September 30, 2021 and 2020.

The cost of maturities sold is based upon specific identification. At September 30, 2021, approximately \$12.6 million of U.S. Treasury debt securities and approximately \$1.4 million of Corporate/Other debt securities have maturities of less than a year.

There are no material items in the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis as of September 30, 2021 and December 31, 2020.

Non-recurring Fair Value Measurements

We measure the fair value of certain assets, including goodwill, on a non-recurring basis, typically annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

In March 2021, we reached an agreement with Eversource regarding the final purchase price, including net working capital adjustments to the October 9, 2020 purchase price of our Massachusetts Business. The working capital amounts were measured at fair value, less costs to sell.

B. Other Fair Value Disclosures for Financial Instruments. The carrying amount of cash and cash equivalents, restricted cash, customer deposits and short-term borrowings is a reasonable estimate of fair value due to their liquid or short-term nature.

The following method and assumptions were used to estimate the fair value of each class of financial instruments.

Purchase Contract Liability. At April 19, 2021, we recorded the purchase contract liability at fair value using a discounted cash flow method and observable, market-corroborated inputs. This value is a reasonable estimate of fair value at September 30, 2021, and has been categorized within Level 2 of the fair value hierarchy. Refer to Note 5, "Equity" for additional information.

Long-term Debt. Our long-term borrowings are recorded at historical amounts. The fair value of outstanding long-term debt is estimated based on the quoted market prices for the same or similar securities. Certain premium costs associated with the early settlement of long-term debt are not taken into consideration in determining fair value. These fair value measurements are

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

classified within Level 2 of the fair value hierarchy. As of September 30, 2021, there was no change in the method or significant assumptions used to estimate the fair value of long-term debt.

The carrying amount and estimated fair values of these financial instruments were as follows:

<i>(in millions)</i>	Carrying Amount as of September 30, 2021	Estimated Fair Value as of September 30, 2021	Carrying Amount as of Dec. 31, 2020	Estimated Fair Value as of Dec. 31, 2020
Long-term debt (including current portion)	\$ 9,243.9	\$ 10,558.1	\$ 9,243.1	\$ 11,034.2

10. Income Taxes

Our interim effective tax rates reflect the estimated annual effective tax rates for 2021 and 2020, adjusted for tax expense associated with certain discrete items. The effective tax rates for the three months ended September 30, 2021 and 2020 were 19.2% and 27.3%, respectively. The effective tax rates for the nine months ended September 30, 2021 and 2020 were 17.9% and 42.0%, respectively. These effective tax rates differ from the federal statutory tax rate of 21% primarily due to increased amortization of excess deferred federal income tax liabilities, as specified in the TCJA, tax credits, state income taxes and other permanent book-to-tax differences. These adjustments have a relative impact on the effective tax rate proportionally to pretax income or loss.

The decrease in the three month effective tax rate of 8.1% in 2021 compared to 2020 is primarily attributed to discrete items in 2020 related to the pre-tax book loss recorded for the classification as held for sale of the Massachusetts Business and loss on early extinguishment of long-term debt tax effected at statutory tax rates.

The decrease in the nine month effective tax rate of 24.1% in 2021 compared to 2020 is primarily attributed to discrete items in 2020 related to the pre-tax book loss recorded for the classification as held for sale of the Massachusetts Business and loss on early extinguishment of long-term debt tax effected at statutory tax rates.

There were no material changes recorded in 2021 to our uncertain tax positions recorded as of December 31, 2020.

11. Pension and Other Postretirement Benefits

We provide defined contribution plans and noncontributory defined benefit retirement plans that cover certain of our employees. Benefits under the defined benefit retirement plans reflect the employees' compensation, years of service and age at retirement. Additionally, we provide health care and life insurance benefits for certain retired employees. The majority of employees may become eligible for these benefits if they reach retirement age while working for us. The expected cost of such benefits is accrued during the employees' years of service. We determined that, for certain rate-regulated subsidiaries, the future recovery of postretirement benefit costs is probable, and we record regulatory assets and liabilities for amounts that would otherwise have been recorded to expense or accumulated other comprehensive loss. Current rates of rate-regulated companies include postretirement benefit costs, including amortization of the regulatory assets and liabilities that arose prior to inclusion of these costs in rates. For most plans, cash contributions are remitted to grantor trusts.

For the nine months ended September 30, 2021, we contributed \$3.3 million to our pension plans and \$15.0 million to our OPEB plans.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

The following table provides the components of the plans' actuarially determined net periodic benefit cost for the three and nine months ended September 30, 2021 and 2020:

Three Months Ended September 30, <i>(in millions)</i>	Pension Benefits		OPEB	
	2021	2020	2021	2020
Components of Net Periodic Benefit (Income) Cost⁽¹⁾				
Service cost	\$ 7.5	\$ 8.1	\$ 1.5	\$ 1.7
Interest cost	7.9	13.1	2.5	3.8
Expected return on assets	(25.2)	(28.3)	(3.8)	(3.6)
Amortization of prior service credit	—	0.2	(0.6)	(0.4)
Recognized actuarial loss	5.5	8.6	1.2	1.2
Settlement loss	2.9	8.0	—	—
Total Net Periodic Benefit (Income) Cost	\$ (1.4)	\$ 9.7	\$ 0.8	\$ 2.7

⁽¹⁾The service cost component and all non-service cost components of net periodic benefit (income) cost are presented in "Operation and maintenance" and "Other, net," respectively, on the Condensed Statements of Consolidated Income (Loss) (unaudited).

Nine Months Ended September 30, <i>(in millions)</i>	Pension Benefits		OPEB	
	2021	2020	2021	2020
Components of Net Periodic Benefit (Income) Cost⁽¹⁾				
Service cost	\$ 22.6	\$ 24.1	\$ 4.5	\$ 4.9
Interest cost	23.5	40.1	7.5	11.6
Expected return on assets	(76.3)	(85.1)	(11.4)	(10.8)
Amortization of prior service credit	—	0.6	(1.8)	(1.4)
Recognized actuarial loss	16.3	26.0	3.6	3.8
Settlement loss	9.5	8.0	—	—
Total Net Periodic Benefit (Income) Cost	\$ (4.4)	\$ 13.7	\$ 2.4	\$ 8.1

⁽¹⁾The service cost component and all non-service cost components of net periodic benefit (income) cost are presented in "Operation and maintenance" and "Other, net," respectively, on the Condensed Statements of Consolidated Income (Loss) (unaudited).

During the first quarter of 2021, one of our qualified pension plans met the requirement for settlement accounting. A settlement charge of \$3.3 million was recorded during the first quarter of 2021. As a result of the settlement, the pension plan was remeasured, resulting in a decrease to the net pension asset of \$5.8 million, a net increase to regulatory assets of \$2.1 million, and a net debit to accumulated other comprehensive loss of \$0.4 million. Net periodic pension benefit cost for 2021 increased by \$4.0 million as a result of the interim remeasurement.

During the second and third quarters of 2021, the requirements for settlement accounting were also met, resulting in settlement charges of \$3.3 million and \$2.9 million recorded for the three months ended June 30, 2021 and September 30, 2021, respectively.

The following table provides the key assumptions that were used to calculate the pension benefit obligation and the net periodic benefit cost at the interim remeasurement date for the plan that triggered settlement accounting:

	February 28, 2021
Weighted-average Assumption to Determine Benefit Obligation	
Discount rate	2.57 %
Weighted-average Assumptions to Determine Net Periodic Benefit Costs for the period ended	
Discount rate - service cost	2.81 %
Discount rate - interest cost	1.57 %
Expected return on assets	4.80 %

ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

12. Variable Interest Entities

A VIE is an entity in which the controlling interest is determined through means other than a majority voting interest. The primary beneficiary of a VIE is the business enterprise which has the power to direct the activities that most significantly impact the VIE's economic performance. Also, the primary beneficiary either absorbs a significant amount of the VIE's losses or has the right to receive benefits that could be significant to the VIE. We consider these qualitative elements in determining whether we are the primary beneficiary of a VIE, and we consolidate those VIEs for which we are determined to be the primary beneficiary.

Rosewater (a joint venture) owns and operates 102 MW of nameplate capacity wind generation assets. Members of the joint venture are NIPSCO (who is the managing member) and a tax equity partner. Earnings, tax attributes and cash flows are allocated to both NIPSCO and the tax equity partner in varying percentages by category and over the life of the partnership. Once the tax equity partner has earned their negotiated rate of return and we have reached the agreed upon contractual date, NIPSCO has the option to purchase at fair market value from the tax equity partner the remaining interest in the aforementioned joint venture. NIPSCO has an obligation to purchase, through a PPA at established market rates, 100% of the electricity generated by Rosewater.

We control decisions that are significant to Rosewater's ongoing operations and economic results. Therefore, we have concluded that we are the primary beneficiary of Rosewater and have consolidated Rosewater.

We have applied the HLBV method of attributing income and loss to the noncontrolling interest held by the tax equity partner. HLBV accounting was applied as the allocation of Rosewater's economic results to members differs from the members' relative ownership percentages. Using the HLBV method, our earnings are calculated based on how the partnership would distribute its cash if it were to hypothetically sell all of its assets for their carrying amounts and liquidate at each reporting period. Under HLBV, we calculate the liquidation value allocable to each partner at the beginning and end of each period based on the contractual terms of the related entity's operating agreement and adjust our income for the period to reflect the change in our associated book value.

In March 2021, in exchange for additional respective membership interests in Rosewater, NIPSCO contributed \$0.1 million in cash, and the tax equity partner contributed \$7.5 million in cash, the second of two contractual cash contributions for each partner, per the equity capital contribution agreement. NIPSCO also assumed an additional obligation of \$6.0 million to the developer, which comes due in 2023 and is included in "Other noncurrent liabilities" in the Condensed Consolidated Balance Sheets (unaudited). From the contributed funds, Rosewater paid \$7.4 million to the developer of the wind generation assets. The developer of the facility is not a partner in the joint venture for federal income tax purposes and does not receive any share of earnings, tax attributes, or cash flows of Rosewater. With asset construction now complete, NIPSCO and the tax equity partner have made total cash contributions of \$0.8 million and \$93.6 million, respectively, and NIPSCO has assumed an obligation to the developer of \$75.7 million, totaling contributions of \$170.1 million for both partners. We did not provide any financial or other support during the year that was not previously contractually required, nor do we expect to provide such support in the future.

At September 30, 2021 and December 31, 2020, \$168.0 million and \$156.4 million, respectively, in net assets (as detailed in the table below) related to Rosewater and the non-controlling interest attributable to the unrelated tax equity partner of \$89.2 million and \$85.6 million, respectively, were included in the Condensed Consolidated Balance Sheets (unaudited). Amounts allocated to the tax equity partner were \$1.0 million and zero for the three months ended September 30, 2021 and 2020, respectively, and \$3.4 million and zero for the nine months ended September 30, 2021 and 2020, respectively. These amounts are included in "Net loss attributable to non-controlling interest" on the Condensed Statements of Consolidated Income (Loss) (unaudited).

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Our Condensed Consolidated Balance Sheets (unaudited) included the following assets and liabilities associated with Rosewater:

<i>(in millions)</i>	September 30, 2021		December 31, 2020	
Net Property, Plant and Equipment	\$	171.6	\$	175.6
Current assets		5.3		1.7
Total assets⁽¹⁾	\$	176.9	\$	177.3
Current liabilities	\$	3.1	\$	15.3
Asset retirement obligations		5.7		5.5
Other noncurrent liabilities		0.1		0.1
Total liabilities	\$	8.9	\$	20.9

⁽¹⁾The assets of Rosewater represent assets of a consolidated VIE that can be used only to settle obligations of the consolidated VIE.

13. Long-Term Debt

In conjunction with debt retired in August and September 2020, we recorded a \$231.7 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums.

In conjunction with debt retired in September 2020, Columbia of Massachusetts recorded an \$11.7 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums.

14. Short-Term Borrowings

We generate short-term borrowings through several sources, described in further detail below.

Revolving Credit Facility. We maintain a revolving credit facility to fund ongoing working capital requirements, including the provision of liquidity support for our commercial paper program, provide for issuance of letters of credit and also for general corporate purposes. Our revolving credit facility has a program limit of \$1.85 billion and is comprised of a syndicate of banks led by Barclays. We had no outstanding borrowings under this facility as of September 30, 2021 and December 31, 2020.

Commercial Paper Program. Our commercial paper program has a program limit of up to \$1.5 billion with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo. We had \$380.0 million and \$503.0 million of commercial paper outstanding with weighted-average interest rates of 0.17% and 0.27% as of September 30, 2021 and December 31, 2020, respectively.

Accounts Receivable Transfer Programs. Columbia of Ohio, NIPSCO and Columbia of Pennsylvania each maintain a receivables agreement whereby they may transfer their customer accounts receivables to third-party financial institutions through wholly owned and consolidated special purpose entities. The three agreements expire between May 2022 and October 2022 and may be further extended if mutually agreed to by the parties thereto.

All receivables transferred to third parties are valued at face value, which approximates fair value due to their short-term nature. The amount of the undivided percentage ownership interest in the accounts receivables transferred is determined in part by required loss reserves under the agreements.

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term borrowings on the Condensed Consolidated Balance Sheets (unaudited). As of September 30, 2021, the maximum amount of debt that could be recognized related to our accounts receivable programs is \$205.0 million.

We had no short-term borrowings related to the securitization transactions as of September 30, 2021 and December 31, 2020.

For the nine months ended September 30, 2021 and 2020, zero and \$122.0 million, respectively, were recorded as cash flows used for financing activities related to the change in short-term borrowings due to securitization transactions. For the accounts receivable transfer programs, we pay used facility fees for amounts borrowed, unused commitment fees for amounts not borrowed, and upfront renewal fees. Fees associated with the securitization transactions were \$0.3 million and \$0.6 million for the three months ended September 30, 2021 and 2020, respectively, and \$1.1 million and \$2.1 million for the nine months

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

ended September 30, 2021 and 2020, respectively. Columbia of Ohio, NIPSCO and Columbia of Pennsylvania remain responsible for collecting on the receivables securitized, and the receivables cannot be transferred to another party.

Items listed above are presented net in the Condensed Statements of Consolidated Cash Flows (unaudited) as their maturities are less than 90 days.

15. Other Commitments and Contingencies

A. Guarantees and Indemnities. We and certain of our subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries as a part of normal business. Such agreements include guarantees and stand-by letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. As of September 30, 2021 and December 31, 2020, we had issued stand-by letters of credit of \$14.1 million and \$15.2 million, respectively.

We provide guarantees related to our future performance under BTAs for our renewable generation projects. At September 30, 2021, our guarantees for multiple BTAs totaled \$574.4 million. In October 2021, the amount of the guarantees increased to \$774.4 million in accordance with the Fairbanks BTA. The amount of each guaranty will fluctuate upon the completion of the various steps outlined in each BTA. See "- E. Other Matters - Generation Transition," below for more information.

B. Legal Proceedings. On September 13, 2018, a series of fires and explosions occurred in Lawrence, Andover and North Andover, Massachusetts related to the delivery of natural gas by Columbia of Massachusetts (the "Greater Lawrence Incident").

We have been subject to inquiries and investigations by government authorities and regulatory agencies regarding the Greater Lawrence Incident. On February 26, 2020, the Company and Columbia of Massachusetts entered into agreements with the U.S. Attorney's Office for the District of Massachusetts to resolve the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident, as described below. The Company and Columbia of Massachusetts entered into an agreement with the Massachusetts Attorney General's Office (among other parties) to resolve the Massachusetts DPU and the Massachusetts Attorney General's Office investigations, that was approved by the Massachusetts DPU on October 7, 2020 as part of the sale of the Massachusetts Business to Eversource.

U.S. Department of Justice Investigation. On February 26, 2020, the Company and Columbia of Massachusetts entered into agreements with the U.S. Attorney's Office to resolve the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident. Columbia of Massachusetts agreed to plead guilty in the United States District Court for the District of Massachusetts (the "Court") to violating the Natural Gas Pipeline Safety Act (the "Plea Agreement"), and the Company entered into a Deferred Prosecution Agreement (the "DPA").

On March 9, 2020, Columbia of Massachusetts entered its guilty plea pursuant to the Plea Agreement. The Court sentenced Columbia of Massachusetts on June 23, 2020, in accordance with the terms of the Plea Agreement (as modified). On June 23, 2021, the Court terminated Columbia of Massachusetts' period of probation under the Plea Agreement, which marked the completion of all terms of the Plea Agreement.

Under the DPA, the U.S. Attorney's Office agreed to defer prosecution of the Company in connection with the Greater Lawrence Incident for a three-year period (which three-year period may be extended for twelve (12) months upon the U.S. Attorney's Office's determination of a breach of the DPA) subject to certain obligations of the Company, including, but not limited to, the Company's agreement, as to each of the Company's subsidiaries involved in the distribution of gas through pipeline facilities in Massachusetts, Indiana, Ohio, Pennsylvania, Maryland, Kentucky and Virginia, to implement and adhere to each of the recommendations from the NTSB stemming from the Greater Lawrence Incident. Pursuant to the DPA, if the Company complies with all of its obligations under the DPA, the U.S. Attorney's Office will not file any criminal charges against the Company related to the Greater Lawrence Incident.

Private Actions. Various lawsuits, including several purported class action lawsuits, have been filed by various affected residents or businesses in Massachusetts state courts against the Company and/or Columbia of Massachusetts in connection with the Greater Lawrence Incident.

On July 26, 2019, the Company, Columbia of Massachusetts and NiSource Corporate Services Company, a subsidiary of the Company, entered into a term sheet with the class action plaintiffs under which they agreed to settle the class action claims in connection with the Greater Lawrence Incident. Columbia of Massachusetts agreed to pay \$143 million into a settlement fund to compensate the settlement class and the settlement class agreed to release Columbia of Massachusetts and affiliates from all

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

claims arising out of or related to the Greater Lawrence Incident. The following claims are not covered under the proposed settlement because they are not part of the consolidated class action: (1) physical bodily injury and wrongful death; (2) insurance subrogation, whether equitable, contractual or otherwise; and (3) claims arising out of appliances that are subject to the Massachusetts DPU orders. Emotional distress and similar claims are covered under the proposed settlement unless they are secondary to a physical bodily injury. The settlement class is defined under the term sheet as all persons and businesses in the three municipalities of Lawrence, Andover and North Andover, Massachusetts, subject to certain limited exceptions. The Court granted final approval of the settlement on March 12, 2020.

With respect to claims not included in the consolidated class action, many of the asserted wrongful death and bodily injury claims have settled, and we continue to discuss potential settlements with remaining claimants. The outcomes and impacts of such private actions are uncertain at this time.

Shareholder Derivative Lawsuit. On April 28, 2020, a shareholder derivative lawsuit was filed by the City of Detroit Police and Fire Retirement System in the United States District Court for the District of Delaware against certain of the Company's current and former directors, alleging state-law claims for breaches of fiduciary duty with respect to the pipeline safety management systems relating to the distribution of natural gas prior to the Greater Lawrence Incident and also including federal-law claims related to our proxy statement disclosures regarding our safety systems. The remedies sought included damages for the alleged breaches of fiduciary duty, corporate governance reforms, and restitution of any unjust enrichment. The defendants filed a motion to dismiss the lawsuit, and oral argument was held on March 2, 2021. On March 9, 2021, the district court granted the defendants' motion to dismiss. It dismissed the federal-law claims with prejudice for failure to state a claim on which relief can be granted and declined to exercise jurisdiction over the state-law claims, which were dismissed without prejudice.

Following the dismissal of the federal court action, on April 29, 2021, the same plaintiff filed a shareholder derivative lawsuit in the Delaware Court of Chancery against certain of our current and former directors. The new complaint alleged a single count for breach of fiduciary duty, and no longer alleged disclosure violations or breaches of federal securities laws. The complaint related to substantially the same matters as those alleged in the dismissed federal derivative complaint. The remedies sought included damages for the alleged breaches of fiduciary duty, corporate governance reforms, and restitution of compensation by the individual defendants. On May 19, 2021, the defendants filed a motion to dismiss the lawsuit, and on July 2, 2021, they filed their opening brief in support of the motion. On August 26, 2021, rather than respond to the defendants' motion to dismiss and opening brief, the plaintiff filed an amended complaint. Like the original complaint in the Delaware Court of Chancery, the amended complaint alleges a single count for breach of fiduciary duty, based on substantially similar allegations, and seeks substantially similar remedies. On September 10, 2021, the defendants filed a motion to dismiss. On October 13, 2021, the defendants filed their opening brief in support of the motion. The plaintiff's opposition to the motion is due on December 3, 2021, and the defendants' reply brief is due on January 10, 2022. Because of the preliminary nature of this lawsuit, we are not able to estimate a loss or range of loss, if any, that may be incurred in connection with this matter at this time.

Other Claims and Proceedings. We are also party to certain other claims, regulatory and legal proceedings arising in the ordinary course of business in each state in which we have operations, none of which we believe to be individually material at this time.

Due to the inherent uncertainty of litigation, there can be no assurance that the outcome or resolution of any particular claim, proceeding or investigation would not have a material adverse effect on our results of operations, financial position or liquidity. Certain matters in connection with the Greater Lawrence Incident, for example, have had or may have a material impact as described above. If one or more other matters were decided against us, the effects could be material to our results of operations in the period in which we would be required to record or adjust the related liability and could also be material to our cash flows in the periods that we would be required to pay such liability.

C. Other Greater Lawrence Incident Matters. In connection with the Greater Lawrence Incident, Columbia of Massachusetts, in cooperation with the Massachusetts Governor's office, replaced the entire affected pipeline system. We invested approximately \$258 million of capital spend for the pipeline replacement; this work was completed in 2019. We maintain property insurance for gas pipelines and other applicable property. Columbia of Massachusetts has filed a proof of loss with its property insurer for the pipeline replacement. In January 2020, we filed a lawsuit against the property insurer, seeking payment of our property claim. On October 27, 2021, NiSource and the property insurer filed cross motions for summary judgment, each asking the court to determine whether there was coverage under the policy. We do not expect these motions to

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

be fully briefed and ruled upon until at least the first quarter of 2022. We are currently unable to predict the timing or amount of any insurance recovery under the property policy.

D. Environmental Matters. Our operations are subject to environmental statutes and regulations related to air quality, water quality, hazardous waste and solid waste. We believe that we are in substantial compliance with the environmental regulations currently applicable to our operations.

It is management's continued intent to address environmental issues in cooperation with regulatory authorities in such a manner as to achieve mutually acceptable compliance plans. However, there can be no assurance that fines and penalties will not be incurred. Management expects a majority of environmental assessment and remediation costs to be recoverable through rates for certain of our companies.

As of September 30, 2021 and December 31, 2020, we had recorded a liability of \$92.3 million and \$92.6 million, respectively, to cover environmental remediation at various sites. This liability is included in "Other accruals" and "Other noncurrent liabilities" in the Condensed Consolidated Balance Sheets (unaudited). We recognize costs associated with environmental remediation obligations when the incurrence of such costs is probable and the amounts can be reasonably estimated. The original estimates for remediation activities may differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including laws and regulations, the nature and extent of impact and the method of remediation. These expenditures are not currently estimable at some sites. We periodically adjust our liability as information is collected and estimates become more refined.

CERCLA. Our subsidiaries are potentially responsible parties at waste disposal sites under the CERCLA and similar state laws. Under CERCLA, each potentially responsible party can be held jointly, severally and strictly liable for the remediation costs as the EPA, or state, can allow the parties to pay for remedial action or perform remedial action themselves and request reimbursement from the potentially responsible parties. Our affiliates have retained CERCLA environmental liabilities, including remediation liabilities, associated with certain current and former operations. At this time, NIPSCO cannot estimate the full cost of remediating properties that have not yet been investigated, but it is possible that the future costs could be material to the Condensed Consolidated Financial Statements (unaudited).

MGP. We maintain a program to identify and investigate former MGP sites where Gas Distribution Operations subsidiaries or predecessors may have liability. The program has identified 54 such sites where liability is probable. Remedial actions at many of these sites are being overseen by state or federal environmental agencies through consent agreements or voluntary remediation agreements.

We utilize a probabilistic model to estimate our future remediation costs related to MGP sites. The model was prepared with the assistance of a third party and incorporates our experience and general industry experience with remediating MGP sites. We complete an annual refresh of the model in the second quarter of each fiscal year. No material changes to the estimated future remediation costs were noted as a result of the refresh completed as of June 30, 2021. Our total estimated liability related to the facilities subject to remediation was \$86.3 million and \$85.0 million at September 30, 2021 and December 31, 2020, respectively. The liability represents our best estimate of the probable cost to remediate the MGP sites. We believe that it is reasonably possible that remediation costs could vary by as much as \$17 million in addition to the costs noted above. Remediation costs are estimated based on the best available information, applicable remediation standards at the balance sheet date and experience with similar facilities.

CCRs. We are in compliance with the EPA's final rule for the regulation of CCRs. The CCR rule also resulted in revisions to previously recorded legal obligations associated with the retirement of certain NIPSCO facilities. The actual asset retirement costs related to the CCR rule may vary substantially from the estimates used to record the increased asset retirement obligation due to the uncertainty about the requirements that will be established by environmental authorities, compliance strategies that will be used and the preliminary nature of available data used to estimate costs. As allowed by the rule, NIPSCO will continue to collect data over time to determine the specific compliance solutions and associated costs and, as a result, the actual costs may vary. NIPSCO will also continue to work with the EPA and the Indiana Department of Environmental Management to obtain administrative approvals associated with the CCR rule. In the event that the approvals are not obtained, future operations could be impacted. We believe the possibility of such an outcome is remote.

E. Other Matters.

Generation Transition. NIPSCO has executed several PPAs to purchase 100% of the output from renewable generation facilities at a fixed price per MWh. Each facility supplying the energy will have an associated nameplate capacity, and

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

payments under the PPAs will not begin until the associated generation facility is constructed by the owner/seller. NIPSCO has also executed several BTAs with developers to construct renewable generation facilities. NIPSCO's purchase obligation under each respective BTA is dependent on satisfactory approval of the BTA by the IURC, successful execution by NIPSCO of an agreement with a tax equity partner and timely completion of construction. NIPSCO has received IURC approval for all of its BTAs and PPAs. NIPSCO and the tax equity partner are obligated to make cash contributions to the joint venture that acquires the project at the date construction is substantially complete. Once the tax equity partner has earned its negotiated rate of return and we have reached the agreed upon contractual date, NIPSCO has the option to purchase at fair market value from the tax equity partner the remaining interest in the joint venture.

Employee Separation Benefits. In the third quarter of 2020, we launched a program to evaluate our organizational structure under the auspices of NiSource Next, which has continued into 2021. We recognized the majority of the related severance expense in 2020 when employees accepted severance offers, absent a retention period. For employees that had a retention period, expense was recognized over the remaining service period. The total severance expense for employees is approximately \$42 million, with substantially all of it incurred and paid to date.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

16. Accumulated Other Comprehensive Loss

The following tables display the components of Accumulated Other Comprehensive Loss:

<i>(in millions)</i>	Gains and Losses on Securities ⁽¹⁾	Gains and Losses on Cash Flow Hedges ⁽¹⁾	Pension and OPEB Items ⁽¹⁾	Accumulated Other Comprehensive Loss ⁽¹⁾
Balance as of July 1, 2021	\$ 4.4	\$ (113.1)	\$ (14.9)	\$ (123.6)
Other comprehensive income (loss) before reclassifications	(0.6)	6.5	—	5.9
Amounts reclassified from accumulated other comprehensive loss	(0.2)	0.1	0.4	0.3
Net current-period other comprehensive income (loss)	(0.8)	6.6	0.4	6.2
Balance as of September 30, 2021	\$ 3.6	\$ (106.5)	\$ (14.5)	\$ (117.4)

⁽¹⁾All amounts are net of tax. Amounts in parentheses indicate debits.

<i>(in millions)</i>	Gains and Losses on Securities ⁽¹⁾	Gains and Losses on Cash Flow Hedges ⁽¹⁾	Pension and OPEB Items ⁽¹⁾	Accumulated Other Comprehensive Loss ⁽¹⁾
Balance as of January 1, 2021	\$ 6.0	\$ (147.9)	\$ (14.8)	\$ (156.7)
Other comprehensive income (loss) before reclassifications	(2.0)	41.3	(1.3)	38.0
Amounts reclassified from accumulated other comprehensive loss	(0.4)	0.1	1.6	1.3
Net current-period other comprehensive income (loss)	(2.4)	41.4	0.3	39.3
Balance as of September 30, 2021	\$ 3.6	\$ (106.5)	\$ (14.5)	\$ (117.4)

⁽¹⁾All amounts are net of tax. Amounts in parentheses indicate debits.

<i>(in millions)</i>	Gains and Losses on Securities ⁽¹⁾	Gains and Losses on Cash Flow Hedges ⁽¹⁾	Pension and OPEB Items ⁽¹⁾	Accumulated Other Comprehensive Loss ⁽¹⁾
Balance as of July 1, 2020	\$ 3.6	\$ (207.8)	\$ (17.7)	\$ (221.9)
Other comprehensive income before reclassifications	1.2	26.0	1.0	28.2
Amounts reclassified from accumulated other comprehensive loss	0.2	—	(0.1)	0.1
Net current-period other comprehensive income	1.4	26.0	0.9	28.3
Balance as of September 30, 2020	\$ 5.0	\$ (181.8)	\$ (16.8)	\$ (193.6)

⁽¹⁾All amounts are net of tax. Amounts in parentheses indicate debits.

<i>(in millions)</i>	Gains and Losses on Securities ⁽¹⁾	Gains and Losses on Cash Flow Hedges ⁽¹⁾	Pension and OPEB Items ⁽¹⁾	Accumulated Other Comprehensive Loss ⁽¹⁾
Balance as of January 1, 2020	\$ 3.3	\$ (77.2)	\$ (18.7)	\$ (92.6)
Other comprehensive income (loss) before reclassifications	2.0	(104.6)	1.4	(101.2)
Amounts reclassified from accumulated other comprehensive loss	(0.3)	—	0.5	0.2
Net current-period other comprehensive income (loss)	1.7	(104.6)	1.9	(101.0)
Balance as of September 30, 2020	\$ 5.0	\$ (181.8)	\$ (16.8)	\$ (193.6)

⁽¹⁾All amounts are net of tax. Amounts in parentheses indicate debits.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

17. Other, Net

The following table displays the components of Other, Net included on the Condensed Statements of Consolidated Income (Loss) (unaudited):

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest income	\$ 1.1	\$ 1.3	\$ 2.7	\$ 4.4
AFUDC equity	3.5	1.8	8.4	4.9
Pension and other postretirement non-service benefit	9.3	0.6	26.4	6.4
Sale of emission reduction credits	—	4.6	—	4.6
Miscellaneous	0.4	(0.3)	(0.3)	(0.4)
Total Other, net	\$ 14.3	\$ 8.0	\$ 37.2	\$ 19.9

18. Business Segment Information

At September 30, 2021, our operations are divided into two primary reportable segments, the Gas Distribution Operations and Electric Operations segments. Corporate costs and other activities that are not significant on a stand-alone basis to warrant treatment as an operating segment and that do not fit into one of our two segments are aggregated as "Corporate and Other" in the disclosures below. Refer to Note 3, "Revenue Recognition," for additional information on our segments and their sources of revenues.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NiSource Inc.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

The following table provides information about our business segments. We use operating income as our primary measurement for each of the reported segments and make decisions on finance, dividends and taxes at the corporate level on a consolidated basis. Segment revenues include intersegment sales to affiliated subsidiaries, which are eliminated in consolidation. Affiliated sales are recognized on the basis of prevailing market, regulated prices or at levels provided for under contractual agreements. Operating income is derived from revenues and expenses directly associated with each segment.

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating Revenues				
Gas Distribution Operations				
Unaffiliated	\$ 472.3	\$ 470.1	\$ 2,182.4	\$ 2,304.4
Intersegment	3.0	3.0	9.1	9.0
Total	475.3	473.1	2,191.5	2,313.4
Electric Operations				
Unaffiliated	478.9	432.2	1,284.9	1,165.7
Intersegment	0.2	0.1	0.6	0.5
Total	479.1	432.3	1,285.5	1,166.2
Corporate and Other				
Unaffiliated	8.2	0.2	23.7	0.6
Intersegment	108.6	120.5	329.9	327.9
Total	116.8	120.7	353.6	328.5
Eliminations	(111.8)	(123.6)	(339.6)	(337.4)
Consolidated Operating Revenues	\$ 959.4	\$ 902.5	\$ 3,491.0	\$ 3,470.7
Operating Income (Loss)				
Gas Distribution Operations	\$ 11.0	\$ (42.2)	\$ 419.1	\$ 38.0
Electric Operations	140.4	130.0	307.9	295.4
Corporate and Other	(4.3)	5.0	(4.5)	(0.7)
Consolidated Operating Income	\$ 147.1	\$ 92.8	\$ 722.5	\$ 332.7

19. Subsequent Event

On October 1, 2021, NIPSCO retired R.M. Schahfer Generating Station Units 14 and 15. The net book value of the retired units was reclassified from "Net Property, Plant and Equipment," to current and long-term "Regulatory Assets." The total net book value of R.M. Schahfer Generating Station's coal Units 14 and 15 and other associated plant retired is estimated to be approximately \$600 million. The December 2019 NIPSCO electric rate case order allows for the recovery of, and on, the net book value of the station by the end of 2032 and implements a revenue credit for the retired units. The credit is based on the difference between the net book value of Units 14 and 15 upon retirement and the last base rate case proceeding. The credit will be provided to customers until new base rates are determined.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NiSource Inc.

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NiSource Inc.

EXECUTIVE SUMMARY

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("Management's Discussion") includes management's analysis of past financial results and certain potential factors that may affect future results, potential future risks and approaches that may be used to manage those risks. See "Note regarding forward-looking statements" at the beginning of this report for a list of factors that may cause results to differ materially.

Management's Discussion is designed to provide an understanding of our operations and financial performance and should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

We are an energy holding company under the Public Utility Holding Company Act of 2005 whose utility subsidiaries are fully regulated natural gas and electric utility companies serving customers in six states. We generate substantially all of our operating income through these rate-regulated businesses, which are summarized for financial reporting purposes into two primary reportable segments: Gas Distribution Operations and Electric Operations.

Refer to the "Business" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 for further discussion of our regulated utility business segments.

Our goal is to develop strategies that benefit all stakeholders as we (i) embark on long-term infrastructure investment and safety programs to better serve our customers, (ii) align our tariff structures with our cost structure, and (iii) address changing customer conservation patterns. These strategies focus on improving safety and reliability, enhancing customer service, ensuring customer affordability and reducing emissions while generating sustainable returns. The safety of our customers, communities and employees remains our top priority. The SMS is an established operating model within NiSource. With the continued support and advice from our Quality Review Board (a panel of third parties with safety operations expertise engaged by management to advise on safety matters), we are continuing to mature our SMS processes, capabilities and talent as we collaborate within and across industries to enhance safety and reduce operational risk. Additionally, we continue to pursue regulatory and legislative initiatives that will allow residential customers not currently on our system to obtain gas service in a cost effective manner.

Your Energy, Your Future: Our plan to replace our coal generation capacity by the end of 2028 with primarily renewable resources is well underway. As of September 30, 2021, we have executed and received IURC approval for BTAs and PPAs with a combined nameplate capacity of 1,950 MW and 1,380 MW, respectively, under the plan. On October 21, 2021, we announced the Preferred Energy Resource Plan associated with our 2021 Integrated Resource Plan, which refines the timeline to retire the Michigan City Generating Station to occur between 2026 and 2028. The plan calls for the replacement of the retiring units with a diverse portfolio of resources including demand side management resources, incremental solar, stand-alone energy storage and upgrades to existing facilities at the Sugar Creek Generating Station, among other steps. Additionally, the plan calls for a natural gas peaking unit to replace existing vintage gas peaking units at the R.M. Schahfer Generating Station to support system reliability and resiliency, as well as upgrades to the transmission system to enhance its electric generation transition. The planned retirement of the two vintage gas peaking units at the R.M. Schahfer Generating Station is expected to occur between 2025 and 2028. Final retirement dates for these units, as well as Michigan City, will be subject to MISO approval. We intend to file our 2021 Integrated Resource Plan with the IURC in November 2021. For additional information, see "Results and Discussion of Segment Operations - Electric Operations," in this Management's Discussion.

NiSource Next: We are executing on a defined, comprehensive, multi-year program designed to deliver long-term safety, sustainable capability enhancements and cost optimization improvements. This program is advancing the high priority we place on safety and risk mitigation, further enabling our SMS, and enhancing the customer experience. NiSource Next is designed to (i) leverage our current scale, (ii) utilize technology, (iii) define clear roles and accountability with our leaders and employees, and (iv) standardize our processes to focus on operational rigor, quality management and continuous improvement.

COVID-19: The safety of our employees and customers, while providing essential services during the COVID-19 pandemic, is paramount. We continue to take a proactive, coordinated approach intended to prevent, mitigate and respond to COVID-19 by utilizing our Incident Command System (ICS). The ICS includes members of our executive council, a medical review professional, and members of functional teams from across our company. The ICS monitors state-by-state conditions and determines steps to conduct our operations safely for employees and customers.

We have implemented procedures designed to protect our employees who work in the field and who continue to work in operational and corporate facilities, including social distancing, wearing face coverings and more frequent cleaning of

NiSource Inc.

equipment and facilities. We have also implemented work-from-home policies and practices. We continue to employ physical and cybersecurity measures to ensure that our operational and support systems remain functional. Our actions to date have mitigated the spread of COVID-19 amongst our employees and principal field contractors. We are also continuously evaluating changes to CDC guidance, and updating our safety measures accordingly, in order to ensure employee and customer safety during this pandemic. We are following federal, state, and local laws, regulations and guidelines related to the COVID-19 vaccinations.

Since the beginning of the COVID-19 pandemic, we have been helping our customers navigate this challenging time. We plan to continue our payment assistance programs and customer education and awareness of energy assistance programs such as the Low Income Home Energy Assistance Program (LIHEAP) to help customers deal with the impact of the pandemic. Regulatory deferrals for certain costs have been allowed by all of our state regulatory commissions.

We continue to monitor how COVID-19 is affecting our workforce, customers, suppliers, operations, financial results and cash flow. The extent of the impact in the future will vary and depend on the duration and severity of the impact on the global, national and local economies. For information on the impacts of COVID-19 for the three and nine months ended September 30, 2021, the state-specific suspension of disconnections, and COVID-19 regulatory filings see Note 3, "Revenue Recognition," and Note 7, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited).

Economic Environment: We are monitoring risks related to increasing order and delivery lead times for construction and other materials, increasing risk of unavailability of materials due to global shortages in raw materials, and risk of decreased construction labor productivity in the event of disruptions in the availability of materials. We are also seeing increasing prices associated with certain materials and supplies. To the extent that delays occur or our costs increase, our business operations, results of operations, cash flows, and financial condition could be materially adversely affected.

We have also seen an increase in forecasted gas costs for the coming heating season that we expect to have an effect on customer bills. We do not expect this increase to have a material impact on our results of operations. For more information on our commodity price impacts, see " - Results and Discussion of Segment Operations - Gas Distribution Operations," and " - Market Risk Disclosures."

For more information on global availability of materials for our renewable projects, see " - Results and Discussion of Segment Operations - Electric Operations - Electric Supply and Generation Transition."

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NiSource Inc.

Summary of Consolidated Financial Results

A summary of our consolidated financial results for the three and nine months ended September 30, 2021 and 2020 are presented below:

<i>(in millions, except per share amounts)</i>	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Favorable (Unfavorable)	2021	2020	Favorable (Unfavorable)
Operating Revenues	\$ 959.4	\$ 902.5	\$ 56.9	\$ 3,491.0	\$ 3,470.7	\$ 20.3
Operating Expenses						
Cost of energy	208.3	143.1	(65.2)	913.4	793.9	(119.5)
Other Operating Expenses	604.0	666.6	62.6	1,855.1	2,344.1	489.0
Total Operating Expenses	812.3	809.7	(2.6)	2,768.5	3,138.0	369.5
Operating Income	147.1	92.8	54.3	722.5	332.7	389.8
Total Other Deductions, net	(70.1)	(330.6)	260.5	(216.3)	(508.6)	292.3
Income Taxes	14.8	(64.9)	(79.7)	90.6	(73.9)	(164.5)
Net Income (Loss)	62.2	(172.9)	235.1	415.6	(102.0)	517.6
Net loss attributable to noncontrolling interest	(1.0)	—	1.0	(3.4)	—	3.4
Net Income (Loss) Attributable to NiSource	63.2	(172.9)	236.1	419.0	(102.0)	521.0
Preferred dividends	(13.8)	(13.8)	—	(41.4)	(41.4)	—
Net Income (Loss) Available to Common Shareholders	49.4	(186.7)	236.1	377.6	(143.4)	521.0
Earnings (Loss) Per Share						
Basic Earnings (Loss) Per Share	\$ 0.13	\$ (0.49)	\$ 0.62	\$ 0.96	\$ (0.37)	\$ 1.33
Diluted Earnings (Loss) Per Share	\$ 0.12	\$ (0.49)	\$ 0.61	\$ 0.91	\$ (0.37)	\$ 1.28

The majority of the cost of energy in both segments are tracked costs that are passed through directly to the customer, resulting in an equal and offsetting amount reflected in operating revenues.

On a consolidated basis, we reported a net income available to common shareholders of \$49.4 million, or \$0.12 per diluted share for the three months ended September 30, 2021, compared to a net loss available to common shareholders of \$186.7 million, or \$0.49 per diluted share for the same period in 2020. The increase in income was primarily due to the loss on sale of the Massachusetts business in 2020, as well as a favorable change in total other deductions for the three months ended September 30, 2021 compared to the same period in 2020. See below for the primary drivers of this change.

For the nine months ended September 30, 2021, we reported net income available to common shareholders of \$377.6 million, or \$0.91 per diluted share compared to net loss available to common shareholders of \$143.4 million, or \$0.37 per diluted share for the same period in 2020. The primary driver for this increase was the loss on sale of the Massachusetts business in 2020.

For additional information on operating income variance drivers see "Results and Discussion of Segment Operations" for Gas and Electric Operations in this Management's Discussion.

Other Deductions, net

Other deductions, net reduced income by \$70.1 million during the three months ended September 30, 2021 compared to a reduction in income of \$330.6 million in the same period in 2020. This change was primarily driven by the loss on early extinguishment of debt in 2020, lower long-term and short-term debt interest in 2021 and higher non-service pension benefits in 2021. The lower interest in 2021 was due to lower rates on long-term debt and lower balances on short-term debt during the three months ended September 30, 2021 compared to the same period in 2020. The higher non-service pension costs were driven by a decrease in the pension benefit obligations. See Note 13, "Long-Term Debt," Note 14, "Short-Term Borrowings," and Note 11, "Pension and Other Postretirement Benefits," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for additional information.

Other deductions, net reduced income by \$216.3 million during the nine months ended September 30, 2021 compared to a reduction in income of \$508.6 million in the same period in 2020. The drivers for this change were consistent with that of the quarter-to-date period.

NiSource Inc.

Income Taxes

Refer to Note 10, "Income Taxes," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on income taxes and the change in the effective tax rate.

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

Our operations are divided into two primary reportable segments: Gas Distribution Operations and Electric Operations. We primarily evaluate segment results based on operating income. The remainder of our operations, which are not significant enough on a stand-alone basis to warrant treatment as an operating segment, are presented as "Corporate and Other" within the Notes to the Condensed Consolidated Financial Statements (unaudited) and primarily are comprised of interest expense on holding company debt, and unallocated corporate costs and activities.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NiSource Inc.
Gas Distribution Operations

Financial and operational data for the Gas Distribution Operations segment for the three and nine months ended September 30, 2021 and 2020 are presented below:

<i>(in millions)</i>	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Favorable (Unfavorable)	2021	2020	Favorable (Unfavorable)
Operating Revenues	\$ 475.3	\$ 473.1	\$ 2.2	\$ 2,191.5	\$ 2,313.3	\$ (121.8)
Operating Expenses						
Cost of energy	89.0	63.0	(26.0)	597.0	559.6	(37.4)
Operation and maintenance	232.4	275.2	42.8	725.1	868.4	143.3
Depreciation and amortization	96.9	88.4	(8.5)	283.4	271.7	(11.7)
Loss (gain) on sale of fixed assets and impairments, net	(0.1)	35.6	35.7	8.0	400.2	392.2
Other taxes	46.1	53.1	7.0	158.9	175.4	16.5
Total Operating Expenses	464.3	515.3	51.0	1,772.4	2,275.3	502.9
Operating Income (Loss)	\$ 11.0	\$ (42.2)	\$ 53.2	\$ 419.1	\$ 38.0	\$ 381.1
Revenues						
Residential	\$ 309.8	\$ 310.1	\$ (0.3)	\$ 1,472.9	\$ 1,544.0	\$ (71.1)
Commercial	101.3	93.2	8.1	501.6	491.3	10.3
Industrial	41.4	42.9	(1.5)	144.0	166.2	(22.2)
Off-System	14.6	6.0	8.6	46.0	32.7	13.3
Other	8.2	20.9	(12.7)	27.0	79.1	(52.1)
Total	\$ 475.3	\$ 473.1	\$ 2.2	\$ 2,191.5	\$ 2,313.3	\$ (121.8)
Sales and Transportation (MMDth)						
Residential	12.4	15.5	(3.1)	161.5	173.8	(12.3)
Commercial	17.3	17.7	(0.4)	118.8	119.8	(1.0)
Industrial	123.3	131.9	(8.6)	384.4	402.9	(18.5)
Off-System	4.1	3.7	0.4	15.7	19.0	(3.3)
Other	—	0.1	(0.1)	0.2	0.3	(0.1)
Total	157.1	168.9	(11.8)	680.6	715.8	(35.2)
Heating Degree Days	44	91	(47)	3,353	3,259	94
Normal Heating Degree Days	70	71	(1)	3,475	3,531	(56)
% Colder (Warmer) than Normal	(37)%	28 %		(4)%	(8)%	
% Colder (Warmer) than 2020	(52)%			3 %		
Gas Distribution Customers						
Residential				2,942,031	3,232,785	(290,754)
Commercial				250,931	281,316	(30,385)
Industrial				4,904	5,967	(1,063)
Other				3	3	—
Total				3,197,869	3,520,071	(322,202)

Comparability of operation and maintenance expenses, depreciation and amortization, and other taxes may be impacted by regulatory, depreciation and tax trackers that allow for the recovery in rates of certain costs.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NiSource Inc.
Gas Distribution Operations

Three and Nine Months Ended September 30, 2021 vs. September 30, 2020 Operating Income

For the three months ended September 30, 2021, Gas Distribution Operations reported operating income of \$11.0 million, an increase of \$53.2 million from the comparable 2020 period. For the nine months ended September 30, 2021, Gas Distribution Operations reported operating income of \$419.1 million, an increase of \$381.1 million from the comparable 2020 period.

Operating Revenues

Operating revenues for the three months ended September 30, 2021 were \$475.3 million, an increase of \$2.2 million from the same period in 2020. Operating revenues for the nine months ended September 30, 2021 were \$2,191.5 million, a decrease of \$121.8 million from the same period in 2020.

	Favorable (Unfavorable)	
	Three Months Ended September 30, 2021 vs 2020	Nine Months Ended September 30, 2021 vs 2020
Changes in Operating Revenues (in millions)		
Revenues associated with the Massachusetts Business in 2020	\$ (40.4)	\$ (218.6)
The effects of colder (warmer) weather in 2021 compared to 2020	(1.3)	12.2
New rates from base rate proceedings and regulatory capital programs	18.8	79.4
Higher revenue due to the effects of resuming common credit mitigation practices	0.8	3.9
The effects of customer growth	0.1	5.1
Other	2.7	1.2
Change in operating revenues (before cost of energy and other tracked items)	\$ (19.3)	\$ (116.8)
Operating revenues offset in operating expense		
Higher cost of energy billed to customers	32.3	145.5
Cost of energy associated with the Massachusetts Business in 2020	(6.3)	(108.1)
Operation and maintenance trackers associated with the Massachusetts Business in 2020	(5.2)	(36.4)
Higher (lower) tracker deferrals within operation and maintenance, depreciation, and tax	0.7	(6.0)
Total change in operating revenues	\$ 2.2	\$ (121.8)

Weather

In general, we calculate the weather-related revenue variance based on changing customer demand driven by weather variance from normal heating degree days, net of weather normalization mechanisms. Our composite heating degree days reported do not directly correlate to the weather-related dollar impact on the results of Gas Distribution Operations. Heating degree days experienced during different times of the year or in different operating locations may have more or less impact on volume and dollars depending on when and where they occur. When the detailed results are combined for reporting, there may be weather-related dollar impacts on operations when there is not an apparent or significant change in our aggregated composite heating degree day comparison.

Throughput

Total volumes sold and transported for the three months ended September 30, 2021 were 157.1 MMDth, compared to 168.9 MMDth for the same period in 2020. This decrease is primarily attributable to the sale of the Massachusetts Business and the effects of warmer weather during the three months ended September 30, 2021 compared to the same period in 2020.

Total volumes sold and transported for the nine months ended September 30, 2021 were 680.6 MMDth, compared to 715.8 MMDth for the same period in 2020. This decrease is primarily attributable to the sale of the Massachusetts Business, offset by the effects of colder weather during the nine months ended September 30, 2021 compared to the same period in 2020.

Commodity Price Impact

Cost of energy for the Gas Distribution Operations segment is principally comprised of the cost of natural gas used while providing transportation and distribution services to customers. All of our Gas Distribution Operations companies have state-approved recovery mechanisms that provide a means for full recovery of prudently incurred gas costs. These are tracked costs that are passed through directly to the customer, and the gas costs included in revenues are matched with the gas cost expense

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NiSource Inc.
Gas Distribution Operations

recorded in the period. The difference is recorded on the Condensed Consolidated Balance Sheets (unaudited) as under-recovered or over-recovered gas cost to be included in future customer billings. Therefore, increases in these tracked operating expenses are offset by increases in operating revenues and have essentially no impact on net income.

Certain Gas Distribution Operations companies continue to offer choice opportunities, where customers can choose to purchase gas from a third-party supplier, through regulatory initiatives in their respective jurisdictions.

Operating Expenses

Operating expenses were \$51.0 million lower for the three months ended September 30, 2021 and \$502.9 million lower for the nine months ended September 30, 2021 compared to the same respective periods in 2020.

	Favorable (Unfavorable)	
	Three Months Ended September 30, 2021 vs 2020	Nine Months Ended September 30, 2021 vs 2020
Changes in Operating Expenses (in millions)		
Operating expenses associated with the Massachusetts Business in 2020	\$ 62.0	\$ 188.8
Decrease (increase) in the loss on sale of the Massachusetts Business of \$0.1 million and \$(6.8) million in 2021 compared to \$(35.6) million and \$(400.2) million in 2020, respectively	35.7	393.4
Lower (higher) expense related to the NiSource Next initiative	12.3	(6.7)
Lower (higher) corporate insurance costs	1.8	(1.7)
Higher employee and administrative related expenses	(23.4)	(33.0)
Higher depreciation and amortization expense	(8.2)	(21.2)
Higher outside services expenses	(5.1)	(7.9)
Higher property tax expense	(2.5)	(7.1)
Higher environmental costs	(1.6)	(4.2)
Other	1.5	(2.5)
Change in operating expenses (before cost of energy and other tracked items)	\$ 72.5	\$ 497.9
Operating expenses offset in operating revenue		
Higher cost of energy billed to customers	(32.3)	(145.5)
Cost of energy associated with the Massachusetts Business in 2020	6.3	108.1
Operation and maintenance trackers associated with the Massachusetts Business in 2020	5.2	36.4
Lower (higher) tracker deferrals within operation and maintenance, depreciation, and tax	(0.7)	6.0
Total change in operating expense	\$ 51.0	\$ 502.9

Columbia of Massachusetts Asset Sale

On October 9, 2020, we completed the sale of our Massachusetts Business. In March 2021, we reached an agreement with Eversource regarding the final purchase price, including net working capital adjustments, which resulted in a decrease (increase) in the pre-tax loss for the three and nine months ended September 30, 2021 of \$0.1 million and \$(6.8) million, respectively. The total loss on the sale as of September 30, 2021 is \$419.2 million based on asset and liability balances as of the close of the transaction on October 9, 2020, transaction costs and the final purchase price. The pre-tax loss is presented as "Loss (gain) on sale of assets, net" on the Condensed Statements of Consolidated Income (Loss) (unaudited).

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NiSource Inc.
Electric Operations

Financial and operational data for the Electric Operations segment for the three and nine months ended September 30, 2021 and 2020 are presented below:

<i>(in millions)</i>	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Favorable (Unfavorable)	2021	2020	Favorable (Unfavorable)
Operating Revenues	479.1	\$ 432.3	\$ 46.8	1,285.5	\$ 1,166.2	\$ 119.3
Operating Expenses						
Cost of energy	119.3	80.1	(39.2)	316.4	234.3	(82.1)
Operation and maintenance	120.5	126.9	6.4	366.9	355.8	(11.1)
Depreciation and amortization	83.3	80.8	(2.5)	250.4	240.3	(10.1)
Other taxes	15.6	14.5	(1.1)	43.9	40.4	(3.5)
Total Operating Expenses	338.7	302.3	(36.4)	977.6	870.8	(106.8)
Operating Income	\$ 140.4	\$ 130.0	\$ 10.4	\$ 307.9	\$ 295.4	\$ 12.5
Revenues						
Residential	\$ 178.7	\$ 168.3	\$ 10.4	\$ 439.8	\$ 411.5	\$ 28.3
Commercial	151.6	135.4	16.2	404.4	365.4	39.0
Industrial	126.0	105.8	20.2	368.3	301.4	66.9
Wholesale	4.8	3.9	0.9	11.3	9.9	1.4
Other	18.0	18.9	(0.9)	61.7	78.0	(16.3)
Total	\$ 479.1	\$ 432.3	\$ 46.8	\$ 1,285.5	\$ 1,166.2	\$ 119.3
Sales (GWh)						
Residential	1,159.4	1,145.3	14.1	2,785.0	2,734.8	50.2
Commercial	1,057.0	996.0	61.0	2,829.1	2,706.5	122.6
Industrial	2,081.0	1,909.1	171.9	6,295.1	5,447.7	847.4
Wholesale	37.2	5.3	31.9	81.7	81.6	0.1
Other	36.1	24.4	11.7	83.7	74.1	9.6
Total	4,370.7	4,080.1	290.6	12,074.6	11,044.7	1,029.9
Cooling Degree Days	658	599	59	976	891	85
Normal Cooling Degree Days	556	556	—	795	795	—
% Warmer than Normal	18 %	8 %		23 %	12 %	
% Warmer than 2020	10 %			10 %		
Electric Customers						
Residential				421,074	417,703	3,371
Commercial				57,860	57,241	619
Industrial				2,140	2,160	(20)
Wholesale				719	723	(4)
Other				2	2	—
Total				481,795	477,829	3,966

Comparability of operation and maintenance expenses and depreciation and amortization may be impacted by regulatory and depreciation trackers that allow for the recovery in rates of certain costs.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NiSource Inc.
Electric Operations

Three and Nine Months Ended September 30, 2021 vs. September 30, 2020 Operating Income

For the three months ended September 30, 2021, Electric Operations reported operating income of \$140.4 million, an increase of \$10.4 million from the comparable 2020 period. For the nine months ended September 30, 2021, Electric Operations reported operating income of \$307.9 million, an increase of \$12.5 million from the comparable 2020 period.

Operating Revenues

Operating revenues for the three months ended September 30, 2021 were \$479.1 million, an increase of \$46.8 million from the same period in 2020. Operating revenues for the nine months ended September 30, 2021 were \$1,285.5 million, an increase of \$119.3 million from the same period in 2020.

	Favorable (Unfavorable)	
	Three Months Ended September 30, 2021 vs 2020	Nine Months Ended September 30, 2021 vs 2020
Changes in Operating Revenues (in millions)		
The effects of warmer weather in 2021 compared to 2020	\$ 11.5	\$ 15.7
Increased (decreased) customer usage	(2.7)	13.5
New rates from regulatory capital and DSM programs	1.5	7.5
The effects of customer growth	1.5	3.6
Higher revenue due to the effects of resuming common credit mitigation practices	1.5	1.9
Increased fuel handling costs	(3.9)	(10.4)
Other	0.1	2.5
Change in operating revenues (before cost of energy and other tracked items)	\$ 9.5	\$ 34.3
Operating revenues offset in operating expense		
Higher cost of energy billed to customers	39.2	82.1
Higher (lower) tracker deferrals within operation and maintenance, depreciation and tax	(1.9)	2.9
Total change in operating revenues	\$ 46.8	\$ 119.3

Weather

In general, we calculate the weather-related revenue variance based on changing customer demand driven by weather variance from normal heating or cooling degree days. Our composite heating or cooling degree days reported do not directly correlate to the weather-related dollar impact on the results of Electric Operations. Heating or cooling degree days experienced during different times of the year may have more or less impact on volume and dollars depending on when they occur. When the detailed results are combined for reporting, there may be weather-related dollar impacts on operations when there is not an apparent or significant change in our aggregated composite heating or cooling degree day comparison.

Sales

Electric Operations sales for the three months ended September 30, 2021 were 4,370.7 GWh, an increase of 290.6 GWh compared to the same period in 2020. This increase was primarily attributable to decreased usage by industrial and commercial customers during the three months ended September 30, 2020 due to COVID-19.

Electric Operations sales for the nine months ended September 30, 2021 were 12,074.6 GWh, an increase of 1,029.9 GWh compared to the same period in 2020. This increase was primarily attributable to decreased usage by industrial and commercial customers during the second and third quarter of 2020 due to COVID-19. There was no significant variance during the first three months of 2021 compared to the same period in 2020.

Commodity Price Impact

Cost of energy for the Electric Operations segment is principally comprised of the cost of coal, related handling costs, natural gas purchased for internal generation of electricity at NIPSCO, and the cost of power purchased from third-party generators of electricity. NIPSCO has a state-approved recovery mechanism that provides a means for full recovery of prudently incurred fuel costs. The majority of these fuel costs are passed through directly to the customer, and the fuel costs included in operating

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NiSource Inc.
Electric Operations

revenues are matched with the fuel cost expense recorded in the period. The difference is recorded on the Condensed Consolidated Balance Sheets (unaudited) as under-recovered or over-recovered fuel cost to be included in future customer billings. Therefore, increases in these tracked operating expenses are offset by increases in operating revenues and have essentially no impact on net income.

Operating Expenses

Operating expenses were \$36.4 million higher for the three months ended September 30, 2021 compared to the same period in 2020. Operating expenses were \$106.8 million higher for the nine months ended September 30, 2021 compared to the same period in 2020.

	Favorable (Unfavorable)	
	Three Months Ended September 30, 2021 vs 2020	Nine Months Ended September 30, 2021 vs 2020
Changes in Operating Expenses (in millions)		
Higher employee and administrative expenses	\$ (8.9)	\$ (12.2)
Higher depreciation and amortization expense	(3.0)	(8.2)
Increased operating expenses related to the accelerated retirement of the R.M. Schahfer Generating Station's coal Units 14 and 15	(3.6)	(7.6)
Lower (higher) expense related to the NiSource Next initiative	5.6	(4.3)
Lower (higher) environmental costs	(2.2)	6.9
Lower outside services expenses	10.1	4.9
Lower materials and supplies expenses	2.2	0.8
Other	0.7	(2.1)
Change in operating expenses (before cost of energy and other tracked items)	\$ 0.9	\$ (21.8)
Operating expenses offset in operating revenue		
Higher cost of energy billed to customers	(39.2)	(82.1)
Lower (higher) tracker deferrals within operation and maintenance, depreciation and tax	1.9	(2.9)
Total change in operating expense	\$ (36.4)	\$ (106.8)

Electric Supply and Generation Transition

NIPSCO continues to execute on an electric generation transition consistent with the preferred pathway from its 2018 Integrated Resource Plan, which outlines plans to retire its remaining coal-fired generation by 2028, to be replaced by lower-cost, reliable and cleaner options. The plan is expected to be a key element of a 90% reduction in our Scope 1 GHG emissions by 2030 compared with 2005 levels and to save NIPSCO electric customers more than \$4 billion over 30 years. We expect to have capital investment requirements of approximately \$2.0 billion, primarily in 2022 and 2023, to replace the generation capacity of all R.M. Schahfer Generating Station's coal-fired units. We retired R.M. Schahfer Generating Station Units 14 and 15 on October 1, 2021. The remaining two units are still scheduled to be retired in 2023. Refer to Note 6, "Property, Plant and Equipment," Note 15-E, "Other Matters," and Note 19, "Subsequent Event" in the Notes to Condensed Consolidated Financial Statements (unaudited) for further information.

The current replacement plan primarily includes renewable sources of energy, including wind, solar, and battery storage to be obtained through a combination of NIPSCO ownership and PPAs. NIPSCO has sold, and may in the future sell, renewable energy credits from this generation to third parties because this helps keep our energy more affordable for our customers. NIPSCO has executed several PPAs to purchase 100% of the output from renewable generation facilities at a fixed price per MWh. Each facility supplying the energy will have an associated nameplate capacity, and payments under the PPAs will not begin until the associated generation facility is constructed by the owner/seller. NIPSCO has also executed several BTAs with developers to construct renewable generation facilities. Our current replacement program will be augmented by the Preferred Energy Resource Plan outlined in our 2021 Integrated Resource Plan. See "Executive Summary - Your Energy, Your Future" in this Management's Discussion for additional information.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NiSource Inc.
Electric Operations

The following table summarizes the executed PPAs and BTAs from our generation transition:

Project Name	Transaction Type	Technology	Nameplate Capacity (MW)	Storage Capacity (MW)	Submitted to IURC	IURC Approval	Targeted Construction Completion
Jordan Creek	20 year PPA	Wind	400	—	02/01/2019	6/05/2019	In Service (12/10/2020)
Rosewater ⁽¹⁾	BTA	Wind	102	—	02/01/2019	8/07/2019	In Service (12/29/2020)
Indiana Crossroads I ⁽²⁾	BTA	Wind	300	—	10/22/2019	2/19/2020	Q4 2021
Greensboro	20 year PPA	Solar & Storage	100	30	7/17/2020	1/27/2021	Q4 2022
Brickyard	20 year PPA	Solar	200	—	7/17/2020	1/27/2021	Q4 2022
Cavalry ⁽²⁾	BTA	Solar & Storage	200	60	11/30/2020	5/5/2021	Q4 2023
Dunn's Bridge I ⁽²⁾	BTA	Solar	265	—	11/30/2020	5/5/2021	Q4 2022
Dunn's Bridge II ⁽²⁾	BTA	Solar & Storage	435	75	11/30/2020	5/5/2021	Q4 2023
Green River	20 year PPA	Solar	200	—	12/23/2020	5/5/2021	Q2 2023
Gibson ⁽³⁾	22 year PPA	Solar	280	—	01/29/2021	6/29/2021	Q2 2023
Fairbanks ⁽²⁾	BTA	Solar	250	—	03/03/2021	6/29/2021	Q3 2023
Indiana Crossroads ⁽²⁾	BTA	Solar	200	—	03/19/2021	7/28/2021	Q4 2022
Elliott ⁽²⁾⁽³⁾	BTA	Solar	200	—	03/31/2021	7/28/2021	Q2 2023
Indiana Crossroads II	15 year PPA	Wind	204	—	04/30/2021	9/1/2021	Q4 2023

⁽¹⁾Refer to Note 12, "Variable Interest Entities," for additional information.

⁽²⁾Ownership of the facility will be transferred to joint ventures whose members include NIPSCO and an unrelated tax equity partner.

⁽³⁾See below for additional information related to the targeted construction completion time of this project.

On October 27, 2021, we received notice of a potential force majeure event under the BTA for our Elliott solar generation project related to the supply of solar panel modules to be installed by the seller developing the project under the BTA. The notice states that shipments for the Elliott project will be delayed because solar panel modules currently being imported by a certain supplier, including those to be delivered to the Elliott project, have been, or are reasonably likely to be, detained by U.S. Customs and Border Protection ("CBP") in connection with the June 24, 2021 Withhold Release Order ("WRO") on silica-based products made by Hoshine Silicon Industry Co., Ltd. The supplier of the solar panel modules has advised the sellers that the delivery of any additional similar solar panel modules has been delayed indefinitely. We have been informed that the supplier is taking actions to avoid detention of any future similar shipments, but even if these actions are successful, the delivery of solar panel modules will likely be delayed by several months. At this time, no claim of an actual force majeure has been provided by the seller under the BTA. Further, no additional details have been provided on the extent or expected duration of the potential detention or the ability to obtain substitute solar panel modules that are not subject to the WRO, or the expected impact, if any, to the timely performance of the seller's obligations under the BTA. We have been informed that the seller is working diligently to determine whether and how to mitigate the effects of the potential detention in order to minimize potential delays or failure to perform under the BTA.

Also on October 27, 2021, we received a substantially similar notice of a potential force majeure event from the same seller claiming a potential force majeure under our PPA for the Gibson solar project.

NIPSCO and the seller are evaluating options to mitigate delays and maintain the original project schedules, including various alternative power supply options in the event either or both of the Elliott and Gibson projects were to become delayed. We cannot currently predict what, if any, impact these notifications of potential force majeure or general availability of solar panels will have on NIPSCO or on our results of operations.

NiSource Inc.

Liquidity and Capital Resources

We continually evaluate the availability of adequate financing to fund our ongoing business operations, working capital and core safety and infrastructure investment programs. Our financing is sourced through cash flow from operations and the issuance of debt and/or equity. External debt financing is provided primarily through the issuance of long-term debt, accounts receivable securitization programs and our \$1.5 billion commercial paper program, which is backstopped by our committed revolving credit facility with a total availability from third-party lenders of \$1.85 billion. The commercial paper program and credit facility provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves our desired capital structure. We utilize an ATM equity program that allows us to issue and sell shares of our common stock up to an aggregate issuance of \$750.0 million through December 31, 2023. As of September 30, 2021, the ATM program (including the impact of the forward sale agreements) had approximately \$300.0 million of equity available for issuance. On April 19, 2021, we completed the sale of 8.625 million Equity Units, which provided net proceeds of \$835.5 million, after underwriting and issuance costs. We intend to use the net proceeds from the offering for renewable generation investments and general corporate purposes, including additions to working capital and repayment of existing indebtedness. See Note 5, "Equity," in the Notes to Condensed Consolidated Financial Statements (unaudited) for more information on our ATM program and Equity Units.

We believe these sources provide adequate capital to fund our operating activities and capital expenditures in 2021 and beyond.

Greater Lawrence Incident: As discussed in Note 15, "Other Commitments and Contingencies," in the Notes to the Condensed Consolidated Financial Statements (unaudited), due to the inherent uncertainty of litigation, there can be no assurance that the outcome or resolution of any particular claim related to the Greater Lawrence Incident will not continue to have an adverse impact on our cash flows. Through income generated from operating activities, amounts available under the short-term revolving credit facility, and our ability to access capital markets, we believe we have adequate capital available to settle remaining anticipated claims associated with the Greater Lawrence Incident.

Operating Activities

Net cash from operating activities for the nine months ended September 30, 2021 was \$939.3 million, an increase of \$80.7 million compared to the nine months ended September 30, 2020. This increase was primarily driven by a year over year decrease in net payments related to the Greater Lawrence Incident. During 2021, we paid approximately \$13.0 million compared to \$221.8 million of payments during the same period in 2020. This was offset by \$131.8 million of decreased cash inflows related to the under collection of gas and fuel costs

Investing Activities

Net cash used for investing activities for the nine months ended September 30, 2021 was \$1,394.2 million, a decrease of \$5.7 million compared to the nine months ended September 30, 2020. We project total 2021 capital expenditures to be approximately \$2 billion.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NiSource Inc.
Liquidity and Capital Resources

Regulatory Capital Programs. We replace pipe and modernize our gas infrastructure to enhance safety and reliability by reducing leaks, which subsequently reduces GHG emissions. In 2021, we continue to move forward on core infrastructure and environmental investment programs supported by complementary regulatory and customer initiatives across all six states of our operating area.

The following table describes the most recent vintage of our regulatory programs to recover infrastructure replacement and other federally mandated compliance investments currently in rates or pending commission approval:

(in millions)

Company	Program	Incremental Revenue	Incremental Capital Investment	Investment Period	Costs Covered ⁽¹⁾	Rates Effective
Columbia of Ohio	IRP - 2021	\$ 22.2	\$ 212.6	1/20-12/20	Replacement of (1) hazardous service lines, (2) cast iron, wrought iron, uncoated steel, and bare steel pipe, (3) natural gas risers prone to failure and (4) installation of AMR devices.	May 2021
Columbia of Ohio	CEP - 2021	18.0	177.2	1/20-12/20	Assets not included in the IRP.	September 2021
NIPSCO - Gas	TDSIC 3	0.2	52.1	1/21-6/21	New or replacement projects undertaken for the purpose of safety, reliability, system modernization or economic development.	January 2022
NIPSCO - Gas ⁽²⁾	FMCA 6	(2.1)	20.7	10/20-3/21	Project costs to comply with federal mandates.	October 2021
Columbia of Pennsylvania ⁽³⁾	DSIC - Q4 2020	0.8	25.0	9/20-11/20	Eligible project costs including piping, couplings, gas service lines, excess flow valves, risers, meter bars, meters, and other related capitalized cost, to improve the distribution system.	January 2021
Columbia of Virginia ⁽⁴⁾	SAVE - 2022	15.8	63.0	1/22-12/22	Replacement projects that (1) enhance system safety or reliability, or (2) reduce, or potentially reduce, greenhouse gas emissions.	January 2022
Columbia of Kentucky	SMRP - 2021	2.6	40.0	1/21-12/21	Replacement of mains and inclusion of system safety investments.	May 2021
Columbia of Maryland	STRIDE - 2022	\$ 1.4	\$ 17.5	1/22-12/22	Pipeline upgrades designed to improve public safety or infrastructure reliability.	January 2022
NIPSCO - Electric ⁽⁵⁾	TDSIC - 9	\$ 0.2	\$ 42.7	2/21-5/21	New or replacement projects undertaken for the purpose of safety, reliability, system modernization or economic development.	February 2022

⁽¹⁾Programs do not include any costs already included in base rates.

⁽²⁾Decrease in incremental revenue due to lower O&M expenses as compared to the prior filing.

⁽³⁾Effective January 23, 2021, Columbia of Pennsylvania's DSIC rate was set to zero due to the inclusion of the incremental capital and revenue in base rates following the Pennsylvania PUC's Final Order in the 2020 rate case.

⁽⁴⁾Columbia of Virginia filed its application to amend and extend its SAVE program with the Virginia SCC on August 12, 2021, requesting approval of a two-year SAVE program for calendar years 2022-2023 that includes incremental capital investments of \$63.0 million and \$72.0 million, respectively. Commission action is expected on or before December 10, 2021.

⁽⁵⁾On April 1, 2021, NIPSCO filed a notice with the IURC that it intended to terminate its current Electric TDSIC plan effective May 31, 2021. NIPSCO filed for a new electric TDSIC plan on June 1, 2021. An order is expected by the end of 2021. NIPSCO filed the TDSIC-9 petition on September 28, 2021, and an order is expected in January 2022.

Financing Activities

Common Stock and Preferred Stock. Refer to Note 5, "Equity," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on common and preferred stock activity.

Short-term Debt and Sale of Trade Accounts Receivables. Refer to Note 14, "Short-Term Borrowings," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on short-term debt activity, including sale of trade accounts receivable.

Equity Unit Sale. Refer to Note 5, "Equity," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on equity units activity.

Non-controlling Interest. Refer to Note 12, "Variable Interest Entities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on contributions from non-controlling interest activity.

Net Available Liquidity. As of September 30, 2021, an aggregate of \$1,698.3 million of net liquidity was available, including cash and credit available under the revolving credit facility.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

**NiSource Inc.
Liquidity and Capital Resources**

The following table displays our liquidity position as of September 30, 2021 and December 31, 2020:

<i>(in millions)</i>	September 30, 2021	December 31, 2020
Current Liquidity		
Revolving Credit Facility	\$ 1,850.0	\$ 1,850.0
Accounts Receivable Program ⁽¹⁾	203.9	273.3
<i>Less:</i>		
Commercial Paper	380.0	503.0
Letters of Credit Outstanding Under Credit Facility	14.1	15.2
<i>Add:</i>		
Cash and Cash Equivalents	38.5	116.5
Net Available Liquidity	\$ 1,698.3	\$ 1,721.6

⁽¹⁾Represents the lesser of the seasonal limit or maximum borrowings supportable by the underlying receivables.

Debt Covenants. We are subject to financial covenants under our revolving credit facility, which require us to maintain a debt to capitalization ratio that does not exceed 70%. As of September 30, 2021, the ratio was 59.7%.

Credit Ratings. The credit rating agencies periodically review our ratings, taking into account factors such as our capital structure and earnings profile. The following table includes our and NIPSCO's credit ratings and ratings outlook as of September 30, 2021. There were no changes to the below credit ratings or outlooks since December 31, 2020.

A credit rating is not a recommendation to buy, sell, or hold securities, and may be subject to revision or withdrawal at any time by the assigning rating organization.

	S&P		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
NiSource	BBB+	Stable	Baa2	Stable	BBB	Stable
NIPSCO	BBB+	Stable	Baa1	Stable	BBB	Stable
Commercial Paper	A-2	Stable	P-2	Stable	F2	Stable

Certain of our subsidiaries have agreements that contain "ratings triggers" that require increased collateral if our credit rating or the credit ratings of certain of our subsidiaries are below investment grade. These agreements are primarily for insurance purposes and for the physical purchase or sale of power. As of September 30, 2021, the collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately \$46.7 million. In addition to agreements with ratings triggers, there are other agreements that contain "adequate assurance" or "material adverse change" provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business.

Equity. Our authorized capital stock consists of 620,000,000 shares, \$0.01 par value, of which 600,000,000 are common stock and 20,000,000 are preferred stock. As of September 30, 2021, 392,628,625 shares of common stock and 1,302,500 shares of preferred stock were outstanding.

Contractual Obligations. A summary of contractual obligations is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. Other than the purchase contract liability related to our Equity Units, discussed in Note 5, "Equity," in the Notes to the Condensed Consolidated Financial Statements (unaudited), there were no material changes from year-end during the nine months ended September 30, 2021.

Guarantees and Indemnities. We and certain of our subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries as a part of normal business. Refer to Note 15, "Other Commitments and Contingencies," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for information on guarantees.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

**NiSource Inc.
Regulatory and Other Matters**

Cost Recovery and Trackers

Comparability of our line item operating results is impacted by regulatory trackers that allow for the recovery in rates of certain costs such as those described below. Increases in the expenses that are subject to approved regulatory tracker mechanisms generally lead to increased regulatory assets, which ultimately result in a corresponding increase in operating revenues and, therefore, have essentially no impact on total operating income results. Certain approved regulatory tracker mechanisms allow for abbreviated regulatory proceedings in order for the operating companies to quickly implement revised rates and recover associated costs.

A portion of the Gas Distribution revenue is related to the recovery of gas costs, the review and recovery of which occurs through standard regulatory proceedings. All states in our operating area require periodic review of actual gas procurement activity to determine prudence and to confirm the recovery of prudently incurred energy commodity costs supplied to customers.

Increased efficiency of natural gas appliances and improvements in home building codes and standards has contributed to a long-term trend of declining average use per customer. As a result, Gas Distribution Operations have pursued changes in rate design to more effectively match recoveries with costs incurred. Columbia of Ohio has adopted a straight fixed variable rate design that closely links the recovery of fixed costs with fixed charges. Columbia of Maryland and Columbia of Virginia have regulatory approval for weather and revenue normalization adjustments for certain customer classes, which adjust monthly revenues that exceed or fall short of approved levels. Columbia of Pennsylvania continues to operate its pilot residential weather normalization adjustment and also has a fixed customer charge. This weather normalization adjustment only adjusts revenues when actual weather compared to normal varies by more than 3%. Columbia of Kentucky incorporates a weather normalization adjustment for certain customer classes and also has a fixed customer charge. In a prior gas base rate proceeding, NIPSCO implemented a higher fixed customer charge for residential and small customer classes moving toward recovering more of its fixed costs through a fixed recovery charge, but has no weather or usage protection mechanism.

A portion of the Electric Operations revenue is related to the recovery of fuel costs to generate power and the fuel costs related to purchased power. These costs are recovered through a FAC, which is updated quarterly to reflect actual costs incurred to supply electricity to customers.

While increased efficiency of electric appliances and improvements in home building codes and standards has similarly impacted the average use per electric customer in recent years, NIPSCO expects a future trend with increases in per customer usage driven by increasing electric applications. Further growth is anticipated as electric vehicles become more prevalent. These ongoing changes in use of electricity will likely lead to development of innovative rate designs, and NIPSCO will continue efforts to design rates that increase the certainty of recovery of fixed costs.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

**NiSource Inc.
Regulatory and Other Matters**

Rate Case Actions

The following table describes current rate case actions as applicable in each of our jurisdictions net of tracker impacts:

(in millions)

Company	Proposed ROE	Approved ROE	Requested Incremental Revenue	Approved Incremental Revenue	Filed	Status	Rates Effective
Columbia of Pennsylvania ⁽¹⁾	9.86 %	9.86 %	\$ 76.8	\$ 63.5	April 24, 2020	Approved February 19, 2021	January 2021
Columbia of Pennsylvania ⁽²⁾	10.95 %	In process	\$ 98.3	In process	March 30, 2021	Order Expected Q4 2021	December 2021
Columbia of Maryland ⁽³⁾	10.85 %	In process	\$ 4.8	In process	May 14, 2021	Order Expected December 2021	December 2021
Columbia of Kentucky ⁽⁴⁾	10.30 %	In process	\$ 26.7	In process	May 28, 2021	Order Expected Q1 2022	January 2022
Columbia of Ohio	10.95 %	In process	\$ 221.4	In process	June 30, 2021	Order Expected Q3 2022	July 2022
NIPSCO - Gas ⁽⁵⁾	10.50 %	In process	\$ 115.3	In process	September 29, 2021	Order Expected Q3 2022	September 2022

⁽¹⁾The 9.86% ROE and the \$76.8 million requested incremental revenue stated above reflect compromise positions taken by Columbia of Pennsylvania during the briefing stages of its 2020 base rate case. In its initial filing on April 24, 2020, Columbia of Pennsylvania proposed an ROE of 10.95% and requested incremental revenue of \$100.4 million. A Final Order from the Pennsylvania PUC was received on February 19, 2021 for rates effective retroactive to January 23, 2021. On March 8, 2021, the Pennsylvania Office of Consumer Advocate filed a Petition for Reconsideration, seeking to have the Pennsylvania PUC modify its February 19 Final Order. On April 15, 2021, the Pennsylvania PUC issued an Opinion and Order denying the Office of Consumer Advocate's Petition. Parties have 30 days in which to file an appeal. The OCA did not file a Notice of Appeal by the Commission's May 17, 2021 due date. CPA began back billing customers for usage from January 23, 2021 at the new rates beginning March 20, 2021.

⁽²⁾CPA filed a Joint Petition for Settlement on September 7, 2021 for an annual revenue increase of \$58.5 million. On October 5, 2021 a Recommended Decision was issued by the Administrative Law Judge (ALJ) that recommended approval of this amount without modification.

⁽³⁾On October 29, 2021, the Public Utility Law Judge issued a proposed order which, if approved by the Maryland PSC, will authorize \$2.6 million in incremental annual revenue. The proposed order will become a final order on December 10, 2021, unless modified or reversed by the Maryland PSC.

⁽⁴⁾Columbia of Kentucky filed a Joint Stipulation, Settlement Agreement and Recommendation on October 27, 2021 for an annual revenue increase of \$18.6 million.

⁽⁵⁾Proposed new rates would be implemented in 2 steps, with implementation of step 1 rates to be effective in September 2022 and step 2 rates to be effective in March 2023.

COVID-19 Regulatory Deferrals

In addition to the cost deferred to a regulatory asset as noted in Note 7, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited), certain states have permitted us to track lost late and disconnect fee revenues due to the pandemic. While these costs do not qualify as regulatory assets under ASC 980, we will consider seeking recovery of these costs in future regulatory proceedings.

PHMSA Regulations

On December 27, 2020, the Protecting Our Infrastructure of Pipelines and Enhancing Safety (PIPES) Act of 2020 was signed into law, reauthorizing funding for federal pipeline safety programs through September 30, 2023. Among other things, the PIPES Act requires that PHMSA revise the pipeline safety regulations to require operators to update, as needed, their existing distribution integrity management plans, emergency response plans, and operation and maintenance plans. The PIPES Act also requires PHMSA to adopt new requirements for managing records and updating, as necessary, existing district regulator stations to eliminate common modes of failure that can lead to overpressurization. PHMSA must also require that operators implement leak detection and repair programs that meet safety needs and protect the environment, require the use of advanced leak detection practices and technologies, and require operators to be able to locate and categorize all leaks that are hazardous to human safety or the environment, or that can become hazardous. Natural gas companies, including us and our subsidiaries, may see increased costs depending on how PHMSA implements the new mandates resulting from the PIPES Act.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NiSource Inc.
Regulatory and Other Matters

Climate Change Issues

Increased frequency of severe and extreme weather events associated with climate change could materially impact our facilities, energy sales, and results of operations. We are unable to predict these events. However, we perform ongoing assessments of physical risk, including physical climate risk, to our business. More extreme and volatile temperatures, increased storm intensity and flooding, and more volatile precipitation leading to changes in lake and river levels are among the weather events that are most likely to impact our business. Efforts to mitigate these physical risks continue to be implemented on an ongoing basis.

Future legislative and regulatory programs, at both the federal and state levels, could significantly limit allowed GHG emissions or impose a cost or tax on GHG emissions. Revised or additional future GHG legislation and/or regulation related to the generation of electricity or the extraction, production, distribution, transmission, storage and end use of natural gas could materially impact our gas supply, financial position, financial results and cash flows.

On July 8, 2019, the EPA published the final ACE rule, which establishes emission guidelines for states to use when developing plans to limit carbon dioxide at coal-fired electric generating units based on heat rate improvement measures. The U.S. Court of Appeals for the D.C. Circuit vacated and remanded the rule on January 19, 2021. On October 29, 2021, the U.S. Supreme Court agreed to review the scope of the EPA's authority to impose GHG emission standards under the Clean Air Act. We will continue to monitor this matter.

In February 2021, the United States rejoined the Paris Agreement, an international treaty through which parties set nationally determined contributions to reduce GHG emissions, build resilience, and adapt to the impacts of climate change. Subsequently, the Biden Administration released a target for the United States to achieve a 50%-52% GHG reduction from 2005 levels by 2030, which supports the President's goals to create a carbon-free power sector by 2035 and net zero emissions economy no later than 2050. There are many pathways to reach these goals.

There is also increasing interest at the federal level to legislate GHG reductions related to the production, storage, transmission and use of electricity and natural gas. There is a proposal in draft Build Back Better legislation that contemplates a new methane fee. If enacted, certain NiSource gas storage facilities may be affected unless emissions are reduced, but the impact is not expected to be material, and any federally mandated costs are potentially recoverable through rates. On November 2, 2021, the EPA proposed methane regulations for the oil and natural gas industry. We continue to monitor all proposed legislation and regulations, but we cannot predict their final form or impact on our business at this time.

In October 2021, a work group of the Maryland Commission of Climate Change published a Building Energy Transition Plan. Policy proposals included in this draft plan, such as the adoption of an all-electric construction code, are supported by the Commission but do not necessarily reflect current state policy. The report is intended to guide Maryland policy makers on decisions related to reducing GHG emissions from buildings in pursuit of achieving targets in Maryland's 2030 Greenhouse Gas Reduction Act Plan and the Commission's recommendation that Maryland achieve net-zero emissions by 2045. Columbia of Maryland will continue to monitor this matter, but we cannot predict its final impact on our business at this time.

In response to these transition risks, we continue to actively implement our plans to reduce Scope 1 GHG emissions by 90 percent from 2005 levels, by 2030 through the retirement of coal-fired electric generation, increased sourcing of renewable energy, priority pipeline replacement, and leak detection and repair. As discussed above in this Management's Discussion within "Results and Discussion of Segment Operations - Electric Operations", NIPSCO continues to execute on an electric generation transition consistent with the preferred pathways identified in its 2018 and 2021 Integrated Resource Plans. We expect to have capital investment requirements of approximately \$2.0 billion, primarily in 2022 and 2023, to replace the generation capacity previously supplied by R.M. Schahfer. NIPSCO has sold, and may in the future sell, renewable energy credits from this generation to third parties because this helps keep our energy more affordable for our customers.

Additionally, we joined the Low-Carbon Resources Initiative (LCRI) in 2021, a five-year initiative to accelerate the development and demonstration of low-carbon energy technologies. LCRI's Research Vision focuses on technologies such as clean hydrogen, bioenergy and renewable natural gas needed to enable affordable pathways to economy-wide decarbonization.

NiSource Inc.

Off-Balance Sheet Arrangements

We, along with certain of our subsidiaries, enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit.

Refer to Note 15, "Other Commitments and Contingencies," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about such arrangements.

Market Risk Disclosures

Risk is an inherent part of our businesses. The extent to which we properly and effectively identify, assess, monitor and manage each of the various types of risk involved in our businesses is critical to our profitability. We seek to identify, assess, monitor and manage, in accordance with defined policies and procedures, the following principal market risks that are involved in our businesses: commodity price risk, interest rate risk and credit risk. We manage risk through a multi-faceted process with oversight by the Risk Management Committee that requires constant communication, judgment and knowledge of specialized products and markets. Our senior management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in the identification, assessment and control of various risks. These may include, but are not limited to market, operational, financial, compliance and strategic risk types. In recognition of the increasingly varied and complex nature of the energy business, our risk management process, policies and procedures continue to evolve and are subject to ongoing review and modification.

Commodity Price Risk

We are exposed to commodity price risk as a result of our subsidiaries' operations involving natural gas and power. To manage this market risk, our subsidiaries use derivatives, including commodity futures contracts, swaps, forwards and options. We do not participate in speculative energy trading activity.

Commodity price risk resulting from derivative activities at our rate-regulated subsidiaries is limited, since regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the ratemaking process, including gains or losses on these derivative instruments. If states should explore additional regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional ratemaking process and may be more exposed to commodity price risk.

Our subsidiaries are required to make cash margin deposits with their brokers to cover actual and potential losses in the value of outstanding exchange traded derivative contracts. The amount of these deposits, some of which are reflected in our restricted cash balance, may fluctuate significantly during periods of high volatility in the energy commodity markets.

Refer to Note 8, "Risk Management Activities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for further information on our commodity price risk assets and liabilities as of September 30, 2021 or December 31, 2020.

Interest Rate Risk

We are exposed to interest rate risk as a result of changes in interest rates on borrowings under our revolving credit agreement, commercial paper program, accounts receivable programs and now-settled term loan, which have interest rates that are indexed to short-term market interest rates. Based upon average borrowings and debt obligations subject to fluctuations in short-term market interest rates, an increase (or decrease) in short-term interest rates of 100 basis points (1%) would have increased (or decreased) interest expense by \$0.4 million and \$1.8 million for the three and nine months ended September 30, 2021, and \$3.2 million and \$10.9 million for the three and nine months ended September 30, 2020, respectively. We are also exposed to interest rate risk as a result of changes in benchmark rates that can influence the interest rates of future debt issuances.

Refer to Note 8, "Risk Management Activities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for further information on our interest rate risk assets and liabilities as of September 30, 2021 and December 31, 2020.

Credit Risk

Due to the nature of the industry, credit risk is embedded in many of our business activities. Our extension of credit is governed by a Corporate Credit Risk Policy. In addition, Risk Management Committee guidelines are in place which document management approval levels for credit limits, evaluation of creditworthiness, and credit risk mitigation efforts. Exposures to credit risks are monitored by the risk management function, which is independent of commercial operations. Credit risk arises due to the possibility that a customer, supplier or counterparty will not be able or willing to fulfill its obligations on a transaction on or before the settlement date. For derivative-related contracts, credit risk arises when counterparties are obligated to deliver or purchase defined commodity units of gas or power to us at a future date per execution of contractual terms and

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NiSource Inc.

conditions. Exposure to credit risk is measured in terms of both current obligations and the market value of forward positions net of any posted collateral such as cash and letters of credit.

We closely monitor the financial status of our banking credit providers. We evaluate the financial status of our banking partners through the use of market-based metrics such as credit default swap pricing levels, and also through traditional credit ratings provided by major credit rating agencies.

Certain individual state regulatory commissions instituted regulatory moratoriums in connection with the COVID-19 pandemic that impacted our ability to pursue our credit risk mitigation practices for customer accounts receivable. Following the issuances of these moratoriums, certain of our regulated operations have been authorized to recognize a regulatory asset for bad debt costs above levels currently in rates. We have now resumed our common credit mitigation practices in all jurisdictions as all moratoriums have expired. Refer to Note 7, "Regulatory Matters" in the Notes to Condensed Consolidated Financial Statements (unaudited) for state-specific regulatory moratoriums.

Other Information

Critical Accounting Estimates

For our annual goodwill impairment analysis performed as of May 1, 2021, we performed a qualitative "step 0" assessment and determined that it was more likely than not that the estimated fair value of the reporting unit substantially exceeded the related carrying value of our reporting unit. For this test, we assessed various assumptions, events and circumstances that would have affected the estimated fair value of the reporting units as compared to their baseline May 1, 2020 "step 1" fair value measurement. There have been no impairments to the carrying value of our goodwill during the periods presented.

Refer to Note 3, "Revenue Recognition," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about management judgment used in determining allowance for credit losses.

Refer to Note 12, "Variable Interest Entities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about management judgement used in determining how to account for our VIE.

Recently Issued Accounting Pronouncements

Refer to Note 2, "Recent Accounting Pronouncements," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about recently issued and adopted accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion regarding quantitative and qualitative disclosures about market risk see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Disclosures.”

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and our chief financial officer are responsible for evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that financial information was processed, recorded and reported accurately.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting during the most recently completed quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

For a description of our legal proceedings, see Note 15-B, "Legal Proceedings," in the Notes to Condensed Consolidated Financial Statements (unaudited).

ITEM 1A. RISK FACTORS

Please refer to the risk factors set forth in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2020, as supplemented by the risk factors set forth in Part II, Item 1A of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

NiSource Inc.

- (31.1) [Certification of Chief Executive Officer pursuant to Rule 13a-14\(a\)/15d-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#) *
 - (31.2) [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\)/15d-14\(a\), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#) *
 - (32.1) [Certification of Chief Executive Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(furnished herewith\)](#) *
 - (32.2) [Certification of Chief Financial Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(furnished herewith\)](#) *
 - (101.INS) Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
 - (101.SCH) Inline XBRL Schema Document
 - (101.CAL) Inline XBRL Calculation Linkbase Document
 - (101.LAB) Inline XBRL Labels Linkbase Document
 - (101.PRE) Inline XBRL Presentation Linkbase Document
 - (101.DEF) Inline XBRL Definition Linkbase Document
 - (104) Cover page Interactive Data File (formatted as inline XBRL, and contained in Exhibit 101.)
- * Exhibit filed herewith.

SIGNATURE

NiSource Inc.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NiSource Inc.

(Registrant)

Date: November 3, 2021

By:

/s/ Gunnar J. Gode

Gunnar J. Gode

Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

**Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Joseph Hamrock, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended September 30, 2021;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2021

By:

/s/ Joseph Hamrock
Joseph Hamrock
President and Chief Executive Officer

**Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Donald E. Brown, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended September 30, 2021;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2021

By:

/s/ Donald E. Brown
Donald E. Brown
Executive Vice President, Chief Financial Officer, and
President of NiSource Corporate Services

**Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Hamrock, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph Hamrock

Joseph Hamrock
President and Chief Executive Officer

Date: November 3, 2021

**Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald E. Brown, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Donald E. Brown

Donald E. Brown

Executive Vice President, Chief Financial Officer, and President of
NiSource Corporate Services

Date: November 3, 2021

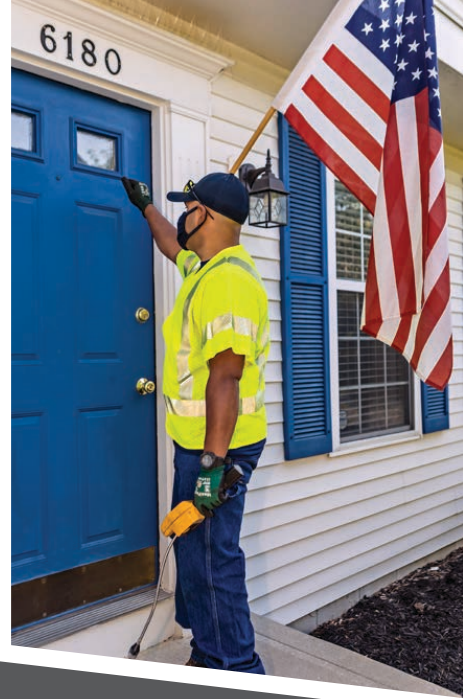
COLUMBIA GAS OF PENNSYLVANIA, INC
53.53 II. RATE OF RETURN
A. ALL UTILITIES

3. Provide latest Stockholder's Report (Company and Parent).

Response:

Columbia Gas of Pennsylvania, Inc. does not publish a Stockholder's Report.

Attachment A to this Exhibit is NiSource Inc.'s 2020 Annual Message to Stockholders and Attachment B is NiSource Inc.'s Form 10K for the fiscal year ended December 31, 2020.



DEEPENING OUR COMMITMENTS

2020 INTEGRATED ANNUAL REPORT



MESSAGE FROM OUR CEO

2020

WAS A YEAR LIKE NO OTHER, WITH A TUMULTUOUS EXTERNAL ENVIRONMENT THAT CHALLENGED OUR COMPANY, OUR INDUSTRY AND OUR COUNTRY.

THROUGHOUT THESE SERIOUS CHALLENGES, the NiSource team stayed focused on our mission and accomplished so much.

- We adjusted on short notice to a new way of working when the COVID-19 pandemic emerged, and we maintained safety for our employees, and safe, reliable service for our customers, while also supporting our impacted customers by suspending shut offs, stopping late fees and offering flexible payment plans.
- We continued to invest in our safety and asset modernization programs across our gas and electric businesses.
- We advanced our coal-to-clean energy transition plan, completing our first two wind projects and initiating work on a significant portfolio of new renewable generation investment opportunities.
- We launched our transformative NiSource Next initiative to support our core commitments to safety and sustainable energy, while building organizational capabilities and maintaining affordability for customers.

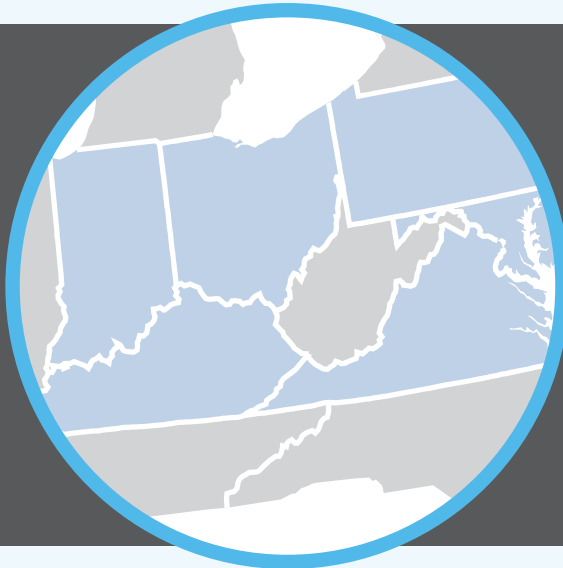
- We completed the sale of the Columbia Gas of Massachusetts (CMA) business in eight months.
- We publicly pledged our commitment against systemic racism, and engaged with our employees to better inform our approach to Diversity, Equity & Inclusion.
- We updated our long-term growth plan, which is expected to deliver 7 to 9 percent compound annual non-GAAP EPS growth from 2021 through 2024.

Throughout 2020 NiSource employees rose to every challenge and opportunity with a deepened commitment to all of our stakeholders – our customers, the communities we serve, our colleagues and our investors.

The foundation for our future is strong. NiSource is a 100 percent regulated gas and electric utility, with significant scale across six states. Our footprint is located close to abundant, low-cost gas resources, and our investments and cost recovery programs are supported by favorable energy policies and constructive regulatory environments.

We have a clear path to sustain growth, with approximately \$40 billion in long-term

Employee Photo on Cover: **JOSE DIAZ**, Service Technician



SERVING NEARLY

4M NATURAL GAS
AND ELECTRIC
CUSTOMERS

ACROSS SIX STATES UNDER
OUR COLUMBIA GAS AND
NIPSCO BRANDS

Columbia Gas®
A NiSource Company

NIPSCO®
A NiSource Company

investment opportunities, backed by well-established capital programs with a track record of timely cost recovery.

Safety is our foundational commitment. Our Safety Management System (SMS) implementation has advanced and matured and become the core operating model of the company. Our adoption of SMS is driving daily decisions and has enhanced how we identify and prioritize investments to drive measurable risk reduction and safety enhancements. You'll see an acceleration of our safety plan in 2021, an effort we're calling SMS in Action.

Transitioning to more sustainable energy remains a core commitment. Our renewable energy investments in Indiana, as well as our gas pipeline modernization investments across our footprint, will drive a 90 percent reduction in our greenhouse gas emissions by 2030. The progress we're making against our sustainability strategy earned us a spot on the Dow Jones Sustainability North America Index for the seventh consecutive year in 2020, and we're honored to once again be included on this international benchmark.

Investments in safety and sustainable energy are also an earnings driver. As outlined at our September 2020 Investor Day, we plan to

make growth, safety and asset modernization investments of \$1.9 to \$2.2 billion annually from 2021 through 2024, as well as \$1.8 to \$2 billion in renewable generation investments through 2023. These investments are expected to drive compound annual rate base growth of 10 to 12 percent through 2024.

We expect to grow our non-GAAP net operating earnings per share by 7 to 9 percent on a compound annual growth rate basis from 2021 through 2024, including near-term annual growth of 5 to 7 percent through 2023. We plan to grow our dividend to maintain our targeted 60 to 70 percent payout ratio, and we plan to finance our growth in a balanced way that's focused on maintaining our current investment grade credit ratings. Cost initiatives under NiSource Next are expected to help offset future inflationary pressure and allow for relatively flat annual operating and maintenance expenses from 2021 through 2024.

FUTURE OF NATURAL GAS

We and other natural gas utilities have faced questions about the sustainability of natural gas in a decarbonizing economy. At NiSource, we are bullish on natural gas and believe that natural gas will continue to play a critical role in the clean energy transition.

As I noted earlier, the fundamentals of natural gas are strong in our footprint with abundant shale gas supplies and policy support for gas in our states. It's also important to know that gas is the most affordable heating source in the Midwest, which is important to our customers. And natural gas remains in demand in our footprint, as we saw a net addition of more than 30,000 new gas customers in 2020.

Through our pipeline modernization programs, we have reduced methane emissions from our mains and service lines by nearly 40 percent since 2005. At the same time, we are studying options for decarbonizing and further reducing emissions over time. This could include blending renewable natural gas (RNG) or hydrogen into the gas stream, as well as offering enhanced energy efficiency programs.

We believe that sustaining the life of gas infrastructure helps retain value for customers as a critical part of the overall energy supply system. As we evolve the nation's energy supply systems toward a cleaner future, the importance of diversity to enhance reliability and resilience is paramount, and in this context the nation's natural gas infrastructure can and should play a key and differentiated role based on the unique operating characteristics of the system. Among those unique characteristics are the ability to store energy and provide on-demand access to supply whenever needed. In addition, through expansion of renewable natural gas supplies and potentially blending of hydrogen, this clean energy source can play a more significant role in the economy-wide transition to clean energy, including as a key part of an electrification plan through enhanced coordination between gas and electric supply

systems. As always, throughout this transition, ensuring safety, reliability and affordability for our customers will be at the core of our thinking.

2021 AND BEYOND

Despite the challenges of 2020, our results demonstrated the resilience of our business, as well as our people. We deepened our commitment to continually improving the safety, reliability and environmental performance of our systems, service quality for our customers, our employee experience and increasing value for all stakeholders.

Our plan is guided by our skilled, independent and diverse Board of Directors with their depth of experience as well as by our executive leadership team, which was realigned in 2020 to support execution of our long-term strategic priorities. NiSource Next will further optimize our organization and empower our people to drive these priorities forward and position us to capitalize on the robust long-term growth opportunities that lie ahead.

THANK YOU
FOR YOUR CONTINUED SUPPORT

Net operating earnings per share (non-GAAP); for a reconciliation to GAAP, see Schedule 1 on page 26. See also Regulation G statement on the inside back cover.



Joe Hamrock

JOE HAMROCK
President and CEO
NiSource Inc.

BOARD OF DIRECTORS

Kevin T. Kabat
Chairman of the Board, NiSource and Retired Vice Chairman and CEO, Fifth Third Bancorp

Peter A. Altabef
Chairman and CEO, Unisys Corporation

Theodore H. Bunting, Jr.
Retired Group Vice President, Utility Operations, Entergy Corporation

Eric L. Butler
President and CEO, Aswani-Butler Investment Associates and Retired Executive Vice President, Union Pacific Corporation

Aristides S. Candris
Retired President and CEO, Westinghouse Electric Company

Wayne S. DeVeydt
Executive Chairman of the Board, Surgery Partners, Inc.

Joseph Hamrock
President and CEO, NiSource Inc.

Deborah A. Henretta
Partner, G100 Companies and Retired Group Vice President, Procter & Gamble Co.

Deborah A. P. Hersman
Former Chief Safety Officer, Waymo LLC and Former Chair, National Transportation Safety Board (NTSB)

Michael E. Jesanis
Retired President and CEO, National Grid USA

Carolyn Y. Woo
Retired President and CEO, Catholic Relief Services

Lloyd M. Yates
Retired Executive Vice President, Customer and Delivery Operations and President, Carolinas Region, Duke Energy Corporation

BOARD OF DIRECTORS DIVERSITY STATS

(As of March 1, 2021)

12 Total
75% Men, 25% Women, 33% Minorities

EXECUTIVE LEADERSHIP TEAM

Joseph Hamrock
President and Chief Executive Officer

Donald E. Brown
Executive Vice President, Chief Financial Officer and President, NiSource Corporate Services

Pablo A. Vegas
Executive Vice President, Chief Operating Officer and President, NiSource Utilities

Anne-Marie D'Angelo
Executive Vice President, General Counsel and Corporate Secretary

Violet G. Sistovaris
Executive Vice President and Chief Experience Officer

Chuck Shafer
Senior Vice President and Chief Safety Officer

Shawn Anderson
Senior Vice President, Strategy and Chief Risk Officer

EXECUTIVE LEADERSHIP TEAM DIVERSITY STATS

(As of March 1, 2021)

7 Total
71% Men, 29% Women, 43% Minorities

QUALITY REVIEW BOARD

Ray LaHood
Quality Review Board Chair
Former Secretary, U.S. Dept. of Transportation

John Cox
President and CEO, Safety Operating Systems

John Durham
Retired Director, ENERCON Services

Blanton Godfrey
Joseph D. Moore Distinguished University Professor of Textile and Apparel Technology and Management, Wilson College of Textiles, North Carolina State University

Cynthia Quarterman
Former Administrator, Pipeline and Hazardous Materials Safety Administration

Jeff Wiese
Vice President, TRC Companies

CHAIRMAN'S LETTER

DEDICATION TO SAFETY AND CUSTOMER SERVICE

As Joe Hamrock noted in his letter to you, 2020 was certainly a year that posed serious challenges, but also one during which the NiSource team demonstrated its dedication to safety and customer service and the resilience of our business. We maintained safe, reliable service during the historic COVID-19 pandemic, we executed on our safety and asset modernization programs and we significantly advanced our coal-to-clean energy transition plan in our electric business marked by completion of our first two wind projects.

But equally as important was the work we did to begin positioning the company to execute on the tremendous growth opportunities that lie ahead of us. At our Investor Day in September, we laid out one of the strongest long-term growth plans in our industry, with around \$10 billion in investments from 2021 through 2024. About 80 percent of that planned investment is in our well-established safety and asset modernization programs, and it is enhanced by about \$2 billion in renewable energy investment opportunities.

These capital investments are expected to drive 7 to 9 percent compound annual growth in our non-GAAP net operating earnings per share during the same period, which places NiSource among a small group of utilities poised for such strong growth. We are also among the industry leaders in emissions reductions targets, as our investments in our electric and gas systems are expected to drive a 90 percent reduction in our greenhouse gas emissions by 2030. This is an exciting and transformative plan, and the board is confident that Joe and his senior management team, with continued engagement by the board, will execute on it.

Our independent board has been refreshed in recent years, and includes a balance of tenures with nine of its 12 members having served five years or less. In 2020 Lloyd Yates, a former senior executive with Duke Energy, joined our board adding substantial utility expertise and customer focus, further diversifying the board.

The board remains engaged on our core commitments to safety and enhancing the sustainability of our business. NiSource is one of few companies among its peers with a board committee dedicated to safety and sustainability. Our Environmental, Safety & Sustainability (ESS) Committee was founded more than 10 years ago to oversee programs, performance and risks related to ESS matters. Chaired by Aris Candris, a veteran of the nuclear industry, among its members are former National Transportation Safety Board Chair Deborah Hersman, who joined the NiSource board in 2019.

With COVID-19 presenting barriers to many volunteering activities that our employees typically participate in, we found new ways to meet needs in our communities in 2020. For instance, the NiSource Charitable Foundation donated \$1.5 million to COVID-19 relief efforts, including \$1 million



to the American Red Cross that enabled it to continue to provide crucial blood services to hospitals throughout our service territory in the midst of the pandemic. That helped drive charitable giving of \$7.4 million to non-profits across our footprint in 2020, an example of our focus on social responsibility. And our employees – many of whom made personal sacrifices to help maintain customer service during the pandemic – still managed to volunteer 8,000 hours at local nonprofits.

Thanks for your interest in NiSource. Be assured that the Board of Directors will continue to remain engaged with Joe and his team in a common effort to enhance value for shareholders and all stakeholders.

KEVIN KABAT
Chairman of the Board
NiSource Inc.



WHAT'S INSIDE

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MARIE AUTULLO
Service Technician

CHAMPIONING SAFETY

Our relentless focus on safety is producing results, with improvements in key metrics during 2020. Our Safety Management System (SMS) has become our core operating model – driving daily decisions as well as producing investment opportunities in the areas of risk reduction and safety – and we are aligning our overall safety focus with the elements of SMS to strengthen the safety culture throughout the entire organization.

We call it “SMS in Action”: processes that identify risks and opportunities, establish rigor and accountability for performance and provide additional layers of protection to keep our employees, customers and communities safe. For example, employees reported more than 2,500 risks through our Corrective Action Program, designed to drive continuous improvement in safety. Investigation and analysis of these risks drove process changes, identified areas for investment or revealed opportunities for asset management enhancements.

We’re continuing to move forward in all areas of safety. Our Know Your HomeSM program is making customers our partners in safety, by educating them about potential hazards at home and how to stay safe. Automatic shutoff devices now protect 70 percent of our low pressure gas systems. Our partnership with peer gas and electric companies in a new SMS collaborative will bring greater insights, and more.



KEY SAFETY ACCOMPLISHMENTS IN 2020

- ✓ **REDUCING** damages to our facilities by 8 percent, through advanced analytics in our Damage Prevention Risk Model, targeted strategies and mobile tools to provide damage prevention opportunities to employees in real time.
- ✓ **ADOPTING** the Gold Shovel Standard for ourselves and our excavation contractors, joining a comprehensive national effort to drive down infrastructure damage incidents.
- ✓ **INITIATING** advanced leak surveys utilizing mobile Picarro technology, 1,000 times more sensitive than conventional technology and proven to drive down risk. In addition to leakage management, this improved information drives prioritized pipeline replacement and reduces methane emissions.
- ✓ **ENHANCING** more than 200 gas operating standards, to increase safety, add layers of protection and integrate employee feedback on improvement opportunities.
- ✓ **ACHIEVING** ISO 9001 certification for our Gas Meter Shops and Gas Fabrication Shop, a strong first step in a continuing quality effort.
- ✓ **IMPROVING** the visibility of gas facilities through the Service Line Mapping enhancement program, which enhances emergency response, damage prevention, engineering design and other critical processes.
- ✓ **COMPLETING** the final recommendation of the National Transportation Safety Board following the 2018 event in Massachusetts and instituting quality measures which continue to mature our engineering, construction, records management, and emergency planning and response processes.
- ✓ **INSTITUTING** an enhanced Management of Change process and standard across the company to support identification and mitigation of unintended risks associated with change.
- ✓ **EXPANDING** the scope of our Safety Management System to include all gas and electric assets, operational processes and all aspects of safety including occupational and environmental safety.
- ✓ **ALIGNING** API RP 1173 (pipeline safety management systems) requirements into contractual process for pipeline construction contractor partners.



ELIZABETH BERTKE
Senior Operations Support Specialist

AN EXTRA LAYER OF SAFETY

The Clearance Coordination Center in our gas business functions like an airport control tower: No work can be done at our pressure regulator stations until the center verifies appropriate safety precautions are in place. Their work increases operational rigor and provides an extra layer of safety for critical work activities. System impact, risk mitigation, process safety, scope of work and job site information – all must be confirmed before work is authorized.

On an average day, the Center receives 300-400 calls from employees, contractors and upstream providers. This is part of a comprehensive framework of protection which tracks and authorizes work, establishes step-by-step checkpoints and details consistent steps. And, it will feed further safety improvements: information gathered from these interactions will drive predictive and proactive metrics.



QUALITY MANAGEMENT SYSTEM (QMS)

Our Quality Management System (QMS) will create repeatable, sustainable processes and procedures across the NiSource footprint. The goal is to establish a continuously improving organization by focusing on quality, safety, training and relentless customer value. Earning ISO 9001 certification for our gas meter shops and fabrication shop provides a template for future benchmarking efforts.

Statistician and quality management consultant Blanton Godfrey has joined our Quality Review Board to support our QMS implementation.



In 2020, NiSource made incredible progress in building the Quality Management System and I have been particularly impressed on how they have integrated it with the Safety Management System.

Blanton Godfrey
Joseph D. Moore Distinguished University
Professor of Textile and Apparel Technology and
Management, Wilson College of Textiles, North
Carolina State University

CHAMPIONING SAFETY

IDENTIFYING INVESTMENT OPPORTUNITIES

We're making informed, risk-based investments to modernize our gas and electric systems. SMS processes have identified opportunities for investments with a goal of reducing risk and adding layers of protection. One example is remote monitoring capabilities. NiSource plans to equip 100 percent of our gas systems with remote monitoring equipment. This equipment is designed to provide an early warning of safety and reliability concerns before our customers are affected. We estimate \$120 million in capital investment over 15 years to fully implement this capability. In-line inspection of gas transmission pipelines is another safety investment priority. These inspections, using devices known as "smart pigs," can detect damage and corrosion from inside the pipeline. To reach our target of performing in line inspections on 80 percent of our transmission lines, we will retrofit some lines with pig launchers/receivers and replace some elbows, fittings and valves. This investment is estimated at \$500 million over 15 years.

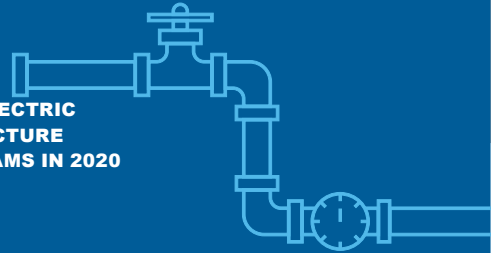
SAFETY AND INFRASTRUCTURE INVESTMENTS BY THE NUMBERS

\$40B
IN IDENTIFIED LONG-TERM INVESTMENTS



~\$1.7B

INVESTED IN GAS AND ELECTRIC SAFETY AND INFRASTRUCTURE MODERNIZATION PROGRAMS IN 2020



274 MILES
OF PRIORITY PIPE REPLACED IN 2020

1,380
ELECTRIC POLES REPLACED IN 2020



37 MILES

OF UNDERGROUND ELECTRIC CABLE REPLACED IN 2020



~70%

OF LOW-PRESSURE GAS SYSTEMS PROTECTED WITH AUTOMATIC SHUT-OFF DEVICES

TRANSFORMING OUR ELECTRIC BUSINESS

We remain committed to positioning our electric business for long-term growth. We took a significant step forward with the completion of our first two renewable projects in late 2020 – Rosewater Wind and Jordan Creek Wind. These two projects mark a concrete step in our generation transition. This transition will result in a more sustainable energy mix – reliable energy at lower costs for customers and improved environmental performance.

Branded “Your Energy, Your Future,” this long-term electric generation strategy guides us to being 100 percent coal-free by 2028, and along the way we plan to retire nearly 80 percent of our coal-fired electric generation by 2023. The plan is also expected to save NIPSCO electric customers more than \$4 billion over 30 years and is expected to be a key element of a 90 percent reduction in our greenhouse gas emissions by 2030 (from a base year of 2005). More broadly, it has created incremental investment opportunities for NiSource, with \$1.8 to \$2 billion in planned renewable energy investments through 2023.



TRANSFORMING OUR ELECTRIC BUSINESS

Using an innovative approach, NIPSCO's 2018 Integrated Resource Plan, informed by an all-source request for proposals (RFP) process where hundreds of scenarios were considered, showed that shifting away from coal and bringing on generating resources like wind, solar and battery technology made both economic and environmental sense. Those findings were reaffirmed in our second RFP process completed in late 2019.

Our Indiana electric team executed seven additional renewable agreements in 2020 – a mix of build-transfer agreements and power purchase agreements focused on solar energy and battery storage technology. We petitioned the Indiana Utility Regulatory Commission (IURC) for \$900 million of solar and storage capital expenditures, while also seeking approval for three power purchase agreements. At press time, advanced commercial negotiations continued on additional solar capacity representing substantial capital investment opportunities for NiSource.

PROJECT	MW	COUNTY	IN SERVICE
ROSEWATER WIND	102MW	WHITE	COMPLETE
JORDAN CREEK WIND	400MW	BENTON WARREN	COMPLETE
INDIANA CROSSROADS WIND	300MW	WHITE	2021
DUNNS BRIDGE SOLAR I	265MW	JASPER	2022
BRICKYARD SOLAR	200MW	BOONE	2022
GREENSBORO SOLAR	100MW + 30MW BATTERY	HENRY	2022
GREEN RIVER SOLAR	200MW	BRECKINRIDGE MEADE (KENTUCKY)	2023
DUNNS BRIDGE SOLAR II	435MW + 75MW BATTERY	JASPER	2023
CAVALRY SOLAR	200MW + 60MW BATTERY	WHITE	2023
GIBSON SOLAR	280MW	GIBSON	2023

GENERATION FACILITIES	MW	FUEL	COUNTY
MICHIGAN CITY RETIRING 2028	469MW	COAL	LAPORTE
R.M. SCHAFER RETIRING 2023	1,780MW	COAL	JASPER
SUGAR CREEK	535MW	NATURAL GAS	VIGO
NORWAY HYDRO	7.2MW	WATER	WHITE
OAKDALE HYDRO	9.2MW	WATER	CARROLL

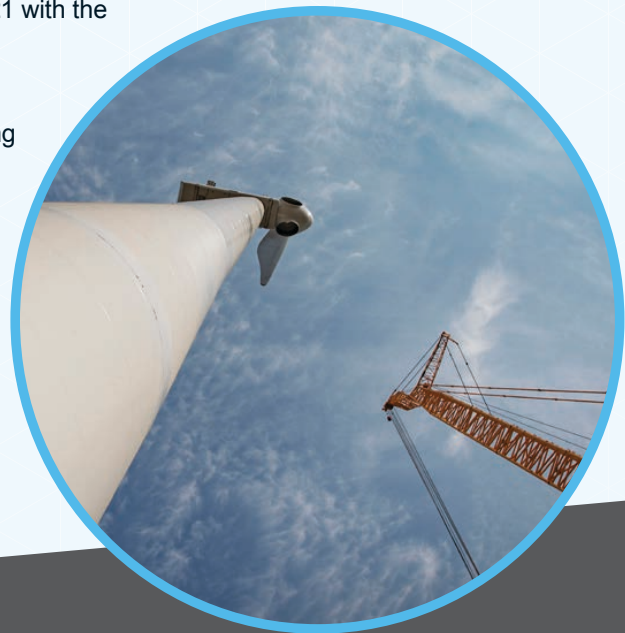
We are proud to partner with industry-leading renewable energy developers – EDP Renewables North America, NextEra Energy Resources and Capital Dynamics – to support us bringing our plans from paper to reality with proven technologies.

Also supporting our transformation are our tax equity partners. By using tax equity partners that are currently able to utilize the tax benefits more efficiently than NiSource, we are able to provide electricity to NIPSCO customers at a lower cost versus traditional ownership. This use of tax equity structure was used with our completed Rosewater Wind Farm and is a first in Indiana and one of the earliest examples of a utility engaging in such a structure in the country.

This investment in new generation brings economic benefits to the state of Indiana including both construction and long-term operating and maintenance jobs, along with enhancing the local county tax base.

NIPSCO will refresh its long term generation strategy as part of its 2021 Integrated Resource Plan. The process involves extensive analysis of a range of scenarios and futures for electric generation with involvement from a broad range of stakeholders. The stakeholder process kicked off in March 2021 with the final submission to the IURC by November 2021.

While we focus on advancing our generation strategy, we also remain committed to maintaining and upgrading our electric transmission and distribution system. Our seven-year infrastructure modernization program, originally approved by the IURC in 2016, includes about \$1.2 billion in expected investments through 2022 to further improve system safety and reliability. In 2020, we replaced 37 miles of underground electric cable and nearly 1,400 electric poles as part of this program.



White County has hosted wind farms for more than a decade, and we're happy to see the latest project, NIPSCO's Rosewater Wind Farm, fully constructed and generating clean energy for my fellow Hoosiers. The wind farms have provided reliable investments and a strong tax base for our county, and the economic boost from Rosewater Wind Farm was a bright spot during an extremely challenging year.

Steve Burton
White County, Indiana Commissioner

PRESERVING OUR ENVIRONMENT

We are committed to delivering energy safely, reliably and in an environmentally responsible and sustainable way. Last year we continued reducing our impact to the environment, while at the same time remaining committed to our aggressive greenhouse gas and other environmental reduction targets. We plan to achieve our goals by executing on approximately \$40 billion of long-term infrastructure and safety investments over 20 years.

We continue on track to retire all of our coal-fired electric generation by 2028 and replace that capacity with lower-cost, cleaner energy sources. This is projected to result in tremendous emissions reductions: By 2030 – compared with a base year of 2005 – we expect to have a 90 percent reduction of greenhouse gas emissions, a 100 percent reduction of coal ash generated, and a 99 percent reduction of water withdrawal, wastewater discharge, nitrogen oxides, sulfur dioxide, and mercury air emissions. At the same time, our plans are anticipated to result in long-term cost savings of more than \$4 billion for our electric customers over 30 years.

ENVIRONMENTAL IMPACT TARGETS

	PROGRESS THROUGH 2020 % REDUCTIONS FROM 2005 LEVELS	TARGET 2025 % REDUCTIONS FROM 2005 LEVELS	TARGET 2030 % REDUCTIONS FROM 2005 LEVELS
METHANE FROM MAINS AND SERVICES	39%	50% ON TARGET	50%+
GREENHOUSE GAS (NISOURCE)	63%	50%	90%
NITROGEN OXIDES (NO _x)	89%	90% ON TARGET	99%
SULFUR DIOXIDE (SO ₂)	98%	90%	99%
MERCURY	96%	90%	99%
WATER WITHDRAWAL	91%	90%	99%
WATER DISCHARGE	95%	90%	99%
COAL ASH GENERATED	71%	60%	100%

ON TARGET

Through our modernization programs and efforts through U.S. EPA's Natural Gas STAR Methane Challenge Program, we have reduced pipeline methane emissions by 39 percent compared to 2005 levels. We remain on track to reach our 50 percent methane reduction target by 2025. We also want to help customers reduce their carbon emissions through participation in our programs for energy-efficiency upgrades, home check-ups and weatherization services. In 2020, more than 1.1 million customers participated, achieving more than \$17 million in savings.



**MORE THAN
1.1M
CUSTOMERS
PARTICIPATED**

**MORE THAN
\$17M
SAVINGS WERE
ACHIEVED ON
THEIR ENERGY
BILLS**



We continued to use the environmental, social, and governance (ESG) reporting template that was jointly developed by the American Gas Association (AGA) and the Edison Electric Institute (EEI). It provides investors with both quantitative and qualitative information in a uniform format.

BIODIVERSITY

We published our Biodiversity Commitment, where we outline our vision to establish a legacy of sustained economic growth, social responsibility and environmental stewardship reflective of a premier energy company. As stewards of the environment, we commit to conserving and enhancing biodiversity on lands under our responsibility.

We participated in *Power for Pollinators*, a documentary produced by the Electric Power Research Institute (EPRI) discussing how electric power companies work to protect pollinator habitat around power plants, solar sites, and transmission lines.

Much of our electric and gas systems are on lands where the monarch butterfly can be found throughout its life cycle. We manage some of these rights-of-way in a manner that encourages milkweed, which is a vital component of monarch habitat. Since the monarch is a candidate to be listed as an endangered species, we proactively applied to the U.S. Fish and Wildlife Service for a certificate of inclusion in their Nationwide Candidate Conservation Agreement with Assurances program. Once received, this will ensure both continued operational flexibility and regulatory compliance.



PRESERVING OUR ENVIRONMENT

SUSTAINABILITY RECOGNITION AND REPORTING

We continue to be recognized as a sustainability leader. NiSource was named to the Dow Jones Sustainability North America Index for the seventh consecutive year. We were one of seven U.S. utility companies on the list, which acknowledges advancements we continue to make in our sustainability strategy. We maintained our listing in the FTSE4Good Index Series, which identifies us as a company that demonstrates strong environmental, social and governance practices. The Sierra Club took notice of our plans to retire our coal plants and invest in clean energy, giving both NiSource and NIPSCO a grade of A in a report on electric utilities' climate progress. NIPSCO earned a score of 82 (out of 100), second highest among operating companies nationwide. At the parent company level, NiSource was one of only two companies (out of 50) that earned an A.

Later this year, we plan to publish both an updated Climate Report that aligns with the recommendations from the Task Force for Climate-Related Financial Disclosures (TCFD) and metrics from the Sustainability Accounting Standards Board (SASB) as we continue to improve our sustainability performance and reporting.



\$4B
IN LONG-TERM
COST SAVINGS
FOR CUSTOMERS



90%
REDUCTION
OF GREENHOUSE
GAS EMISSIONS



Our latest ESG and sustainability documents are available on our website at [NiSource.com/company/sustainability/reports-and-policies](https://www.nisource.com/company/sustainability/reports-and-policies)

SERVING OUR CUSTOMERS AND COMMUNITIES

WE'RE AIMING HIGHER

We are on a journey to transform the way we serve our customers. In 2019, we provided a foundation for customers to manage their accounts and complete secure, reliable online bill payments via an online dashboard through our Columbia Gas and NIPSCO websites.

We were recognized with a gold "Stevie" at the 2020 American Business Awards for the best utility website in customer website experience. We continue to aim higher for our customers with the service we provide by listening – to customer feedback through surveys, social media and other channels – and anticipating customer needs.

As we continue on this journey, we are focused on enabling digital self-service, aligning experiences across channels and supporting employees to better serve customers.

Through strategic and creative efforts, we increased overall customer enrollment in our paperless billing program to more than 1 million, which represents 32 percent of our customer base and generated a potential savings of more than \$1.5 million annually in printed bill expenses.



SERVING OUR CUSTOMERS AND COMMUNITIES

We've adopted the agile project methodology to deliver experience enhancements at a rapid, iterative pace. Our overall website satisfaction increased to 89 percent, improving by 2.5 percent since 2019 and enhanced online payment options were the key driver.

Customers can expect to see more improvements like online service requests, high-usage alerts, outage map improvements and enhanced views of energy usage history.

PROVIDING CRITICAL RESOURCES FOR CUSTOMERS WHEN THEY NEED IT MOST

The COVID-19 pandemic challenged us to act quickly to implement safety guidelines from the Centers for Disease Control and Prevention (CDC) and deliver helpful, self-service options to customers dealing with the impacts of COVID-19. We conducted an end-to-end digital experience audit and gathered direct customer feedback around COVID-19 opportunities to shape and improve the customer journey.

With these insights, we enabled customers to enroll in our most flexible payment plans online and over the phone, prioritized payment assistance information and suspended termination for non-payment and late fees. We shared our successes and outcomes with the industry at multiple panel discussions with Chartwell and the Utility Analytics Institute. We also helped customers access federal Coronavirus Aid, Relief and Economic Security (CARES) Act funding through broad and targeted outreach efforts, and we helped our customers secure \$51.9 million in Low Income Home Energy Assistance Program (LIHEAP) funds.



The nature of agility empowers teams to make decisions quickly, prioritize work effectively, adjust and pivot as needed. This team was able to deliver critical capabilities for customers at a rapid pace even during a year of so much unpredictability and changing needs, and we saw many gains for our customers and NiSource due to their hard work.

Hanna Balla
Director, NiSource
Customer Experience
and Insights



\$51.9M

IN LOW INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP) FUNDS SECURED BY OUR CUSTOMERS

ENRICHING OUR COMMUNITIES

\$7.4M

contributed by the NiSource Charitable Foundation to organizations in communities throughout our operating area

7,993 HOURS

spent volunteering at local nonprofits that support education, health and human services and family welfare initiatives, resulting in **\$160,000** contributed to those organizations through the NiSource Charitable Foundation Dollars for Doers program, which matches employee volunteerism with a financial contribution

In a year unlike any other, we focused on supporting our communities in new and meaningful ways. The NiSource Charitable Foundation made approximately \$1.5 million in donations to COVID-19 relief efforts including a \$1 million donation to the American Red Cross which enabled it to continue to provide crucial blood services to hospitals throughout our service territory in the midst of the pandemic. The foundation also donated \$500,000 to support operating company initiatives to provide local COVID-19 relief.

We also partnered with local operating company efforts such as the employee-led initiatives to buy Christmas presents for children in need in Ohio and Virginia, and a virtual drive to provide warm coats to children living in one of our most impoverished service territories in Kentucky. In Pennsylvania and Maryland, employees organized numerous giving back efforts throughout November and December, including a collection drive for local charities.



DEALING WITH A DERECHO

The derecho storm that hit northwest Indiana on August 10, 2020, was one of the most severe storms NIPSCO had seen in five years. Nearly 95,000 NIPSCO customers experienced multi-day power outages due to fallen wires, broken poles and other damaged equipment.

Despite the widespread damage, nearly 90 percent of customers were restored within 48 hours, with some outages lasting through the next few days.

NIPSCO crews worked tirelessly alongside mutual assistance crews from Newkirk, Consumers Energy, Consumers Energy (Kent Division), Service Electric Company, CC Power Energy and Rauhorn Electric to repair damage and restore service. As the crews worked together to restore power, COVID-19 safety protocols were closely followed, especially in regards to linemen returning from hurricane relief.



This storm restoration was tough, but our operations team hung in there and kept working until the last customer was back on. I'm very proud of our teams.

Phil Winter
Director, NIPSCO Transmission and Distribution (T&D) Lines

SERVING OUR CUSTOMERS AND COMMUNITIES



DANA BELLE, Construction Scheduling Leader

Because of the health and economic struggles brought on by the COVID-19 pandemic, we narrowed our focus to support customers with their very basic needs – because everyone deserves to have a warm place to live and food on their table. In Ohio, this included helping organizations distribute meals across the state and provide immediate support to open emergency temporary housing shelters to slow the spread of COVID-19 among the most vulnerable families and individuals.

Our focus on enriching our communities extends far beyond volunteer efforts and giving programs. We also aim to improve the communities we serve through economic development efforts. In Indiana, the NIPSCO Economic Development and Major Accounts team was instrumental in helping to lure a steel processing company's headquarters to Gary, Indiana, from Chicago, bringing with it 100 jobs to northwest Indiana.

The team also played an important role in finding a new buyer for a shuttered amusement park which had served the region for nearly a century, provided hundreds of seasonal jobs and by one estimate contributes \$60 million annually to the local and regional economy. Even in a difficult year, the team still managed to score major economic development success bringing in \$192 million in investment to the region, along with nearly 1,000 jobs.

**GOING ABOVE AND BEYOND
TO SUPPORT EMERGENCY RESPONDERS**

Hot water is something that most of us don't think about until the tap is suddenly cold – and for an emergency room nurse treating COVID-19 patients in Virginia, a hot shower after work is just as much about safety as comfort.

When her electric water heater failed, the frantic nurse called on us for help to convert to natural gas. A team of employees representing three companies and nine individuals worked together to get her back up and running in record time.

The team was able to implement the conversion process and install the customer's service line quickly – a process which normally takes about a month took just four days.



THANK YOU TO ALL THE **HEALTHCARE
WORKERS, EMERGENCY RESPONDERS
AND FRONTLINE WORKERS**

JAKE REESE
Construction Coordinator 2

EMPOWERING OUR TEAM

RISING TO THE CHALLENGE

Our employees are relentless in caring for our customers and one another. So much so, that when we were faced with the unprecedented challenges of 2020, our teams didn't skip a beat in swiftly shifting the way we do business, managing our COVID-19 response in an Incident Command System and Area Command System model to ensure clear lines of command and appropriate integration between state and corporate response activities.

Our teams adapted their ways of working to put safety of our workforce and customers first, including shifting those who can effectively work remotely to do so, temporarily using mobile call centers and increasing customer care center at home agents. We also built and activated sequestration plans to secure critical personnel resources and ensure our ability to continue performing critical functions.

As our teams adapted to enhanced safety policies and protocols aligned with CDC guidelines and local government mandates, we ensured essential training could continue, including new hire training and training to ensure operator qualification compliance.



QUENTIN DUCKWORTH
Service Technician

EMPOWERING OUR TEAM

At the same time, we supported one another during a time that blurred the boundaries between work and life like never before by aligning HR policies and procedures and providing the resources (everything from childcare information and home office supplies to proper PPE) to support the health, safety and mental well-being of employees, and equipped leaders to do so as well.

And while transparency has always been a core belief at NiSource, 2020 reaffirmed the importance of providing transparent and ongoing communication to inform and support our leaders and employees. In support of this, we accelerated the launch of new technology including Dynamic Signal and Webex, and other tools to enable our employees to stay informed and collaborate regardless of work location.

RENEWED COMMITMENT TO DIVERSITY, EQUITY AND INCLUSION

2020 challenged us. There were injustices that rocked the very foundation of what our country stands for – justice, freedom, acceptance, equality.

Following the killing of George Floyd, we publicly pledged our commitment to confronting systemic racism. Through the unrest, a spotlight was shone on the inequity so many are facing across the country and in our own communities. At NiSource we have no tolerance for intolerance or disrespect of people based on gender, race, sexual orientation, religion or background. We strive to respect everyone regardless of our differences – because our diversity strengthens us.

Dr. Martin Luther King's nonviolent resistance fought for legal equality of African Americans, and he also fought against international conflicts and against poverty. In short, he fought for a level playing field for all people. Creating this level playing field for all employees is why we made the decision to add the word "equity" to our Inclusion & Diversity vision.

During the second half of 2020, CEO Joe Hamrock met with many of our employee resource groups. During those discussions, we focused on the topic of psychological safety – being able to share opinions or ask questions without fear of judgment. These discussions are better informing our approach to Diversity, Equity & Inclusion.

We have committed to hiring a new Chief Diversity, Equity & Inclusion Leader, and are increasing accountability for diversity, equity & inclusion expectations for all of our leaders.



Our employees are passionate about inclusion, equity and diversity. One of the ways they can get involved and make a difference is by participating in our **EMPLOYEE RESOURCE GROUPS** and **INCLUSION, EQUITY AND DIVERSITY COUNCILS**.

NEXT LEVEL LEADERSHIP

Through NiSource Next we're transforming our organization and addressing opportunities for continuous improvement. In 2020 we piloted Next Level Leadership, a program focused on alleviating challenges field leaders face to provide more time leading and coaching their teams.

Twenty-five managers and field leaders from electric and gas operations in Indiana and Kentucky participated in 12 weeks of leadership development activities and were introduced to new tools and ways of working. Participants are also assigned dedicated coaches and participate in weekly coaching sessions.

As the initial pilots end, the team will be working to launch the program in other states to continue to expand Next Level Leadership across NiSource.

EMPLOYEE VOICES GUIDE KEY INITIATIVES

One key to successful change is ensuring the voice of our employees is heard. Two groups – The Change Network and Employee Advisory Council (EAC) – comprised of employees from across our company played a key role in helping NiSource leaders ensure the employee voice was present in decision-making for our COVID-19 response, the implementation of SMS and our transformation.

Through Change Network and EAC meetings, leaders receive actionable feedback directly from employees. The meeting format allows members to offer feedback verbally and through an online polling system, ensuring that everyone has the opportunity to participate regardless of communication style.

During the meetings, NiSource executive leaders have shared important updates and listened to employee concerns and answered questions.

"It is good to hear from the leaders who are coming up with the processes and making the decisions on a day-to-day basis," said **Tammy Sebek**, integration specialist at our Customer Care Center in Pennsylvania.

In addition to meeting with these employee groups, senior leaders have held virtual employee town hall meetings with Q&A opportunities and informal virtual coffee chats in an effort to increase two-way dialogue with employees. We've also started using more frequent pulse surveys to understand the employee experience through more real-time feedback.

Employees are equally appreciative of having an outlet to leadership. **Mary Bible**, field operations leader in Virginia, said, "I appreciate how leaders take our feedback and show us how they've incorporated it into the work."

EMPOWERING OUR TEAM

EMPLOYEE POPULATION

AS OF DECEMBER 31, 2020

7,389
TOTAL

EMPLOYEES

73% MEN

27% WOMEN

15% MINORITY

682
TOTAL

MANAGEMENT

(MANAGER AND ABOVE)

67% MEN

33% WOMEN

16% MINORITY

GENERATIONS

<1% TRADITIONALISTS
(1925-1948)

21% BABY BOOMERS
(1949-1964)

28% GENERATION X
(1965-1976)

**51% MILLENNIALS /
GENERATION Y**
(1977-1996)

1% GENERATION Z
(1997-PRESENT)

SPOTLIGHT ON LEADERSHIP NISOURCE

Fourteen rising leaders participated in the 2020 Leadership NiSource class, which focused on increasing leadership skills in three key areas:

Know & Develop Yourself – Gaining self-awareness regarding strengths and development areas as well as individual leadership values and vision for the future; networking and building relationships with peers and senior leaders across NiSource.

Know, Support, & Develop Our People – Building capabilities to coach, delegate, develop, and inspire others to higher levels of performance.

Know & Develop the Business – Engaging in experiential activities (site visits and live cases) to enhance business acumen and critical thinking skills; increase understanding of NiSource's strategic direction and how to translate the overall strategy into a team strategy with measurable objectives.

This year's class completed capstone projects focused on strategic issues raised by senior leaders in support of three main business priorities: SMS; Your Energy, Your Future; and IT modernization. From there, participants put their projects into actionable plans with real business impacts.

FOCUSING ON OUR FINANCIAL PERFORMANCE

2020 was a transitional year for NiSource as we worked to mitigate the financial impacts of the COVID-19 pandemic and completed the sale of our Columbia Gas of Massachusetts (CMA) business, while we continued to execute on our core growth programs and launched a multi-year effort to improve our cost structure and drive efficiencies across the organization.

On a GAAP basis, we reported a 2020 net loss available to common shareholders of about \$73 million, or \$0.19 per share, compared to net income available to common shareholders of about \$328 million, or \$0.88 per share, for the same period of 2019.

We delivered 2020 non-GAAP net operating earnings of about \$508 million, or \$1.32* per share, compared to net operating earnings of \$495 million, or \$1.32* per share, in 2019. The primary differences between GAAP and non-GAAP results are CMA sale related amounts and the loss on early extinguishment of long-term debt. Schedule 1 of this annual report contains a complete reconciliation of GAAP measures to non-GAAP measures.

The COVID-19 pandemic also impacted our financial performance in 2020. We had lower commercial and industrial sales, which were partially offset by higher residential sales. We saw reduced late payment and reconnection fees, as well as higher bad debt and other expenses. The total net impact of COVID-19 was approximately 5 cents per share (non-GAAP), as we deployed non-safety related cost management and regulatory solutions to offset about half of the pandemic's financial impact. We enhanced our liquidity throughout the pandemic and lowered the weighted average interest rate on our long-term debt by more than 60 basis points.

Despite the transitional year and the pandemic, the NiSource team continued to execute on our safety and asset modernization programs in 2020. We invested \$1.7 billion in our gas and electric utility systems during the year, including replacing 274 miles of priority gas pipeline, 37 miles of underground electric cable and 1,380 electric poles. Our infrastructure modernization programs are backed by well-established regulatory trackers which allow us to begin earning on about 75 percent of these capital investments within 18 months.

In 2021, we expect to make capital investments of \$1.9 to \$2.1 billion and to deliver non-GAAP net operating earnings in the range of \$1.28 to \$1.36 per share. This forecast serves as the baseline for the long-term infrastructure and renewable investment growth plan that we laid out at our 2020 Investor Day.

*Net operating earnings per share (non-GAAP); for a reconciliation to GAAP, see Schedule 1 on page 26. See also Regulation G statement on the inside back cover.

FOCUSING ON OUR FINANCIAL PERFORMANCE

Under that plan, we expect to make growth, safety and asset modernization investments of \$1.9 to \$2.2 billion annually from 2021 through 2024, as well as \$1.8 to \$2 billion in renewable generation investments through 2023. These investments are expected to drive compound annual rate base growth of 10 to 12 percent through 2024. We expect to grow our non-GAAP net operating earnings per share by 7 to 9 percent on a compound annual growth rate basis from 2021 through 2024, including near-term annual growth of 5 to 7 percent through 2023. We expect to grow our dividend to maintain our targeted 60 to 70 percent payout ratio, and we plan to finance our growth in a balanced way that's focused on maintaining our current investment grade credit ratings.

FINANCIAL METRICS



(\$0.19)
2020 GAAP
EARNINGS (LOSS)
PER SHARE

\$1.32
2020 NON-GAAP
NET OPERATING
EARNINGS PER
SHARE*

\$0.84
2020 PER
SHARE ANNUAL
DIVIDEND
(COMMON STOCK)

-14.9%
2020 TOTAL
SHAREHOLDER
RETURN

\$0.88
2021 PER SHARE
ANNUAL DIVIDEND
PROJECTED
(COMMON STOCK)**

\$1.9B
TO
\$2.1B
2021 CAPEX
PROJECTED

*Net operating earnings per share (non-GAAP); for a reconciliation to GAAP, see Schedule 1 on page 26. See also Regulation G statement on the inside back cover.

**Dividends are subject to board approval.

SCHEDULE 1

Reconciliation of Consolidated Net Income (Loss) Available to Common Shareholders to Net Operating Earnings (Loss) Available to Common Shareholders (Non-GAAP) *(unaudited)*

<i>(in millions, except per share amounts)</i>	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
GAAP Net Income (Loss) Available to Common Shareholders	\$ 70.7	\$ (153.0)	\$ (72.7)	\$ 328.0
Adjustments to Operating Income (Loss):				
Operating Revenues:				
Weather - compared to normal	8.0	(11.8)	24.0	(24.8)
Massachusetts Business transaction revenue ⁽¹⁾	(9.0)	—	(9.0)	—
Operating Expenses:				
Greater Lawrence Incident ⁽²⁾	1.3	(54.2)	16.7	(233.6)
Plant retirement costs ⁽³⁾	—	—	4.6	—
NiSource Next initiative ⁽⁴⁾	19.2	—	45.8	—
Massachusetts Business sale related amounts ⁽⁵⁾	18.9	414.5	400.3	414.5
Loss (Gain) on sale of assets, net	(1.4)	0.1	(1.8)	—
Total adjustments to operating income (loss)	37.0	348.6	480.6	156.1
Other Income (Deductions):				
Loss on early extinguishment of long-term debt ⁽⁶⁾	0.1	—	243.5	—
Income Taxes:				
Tax effect of above items ⁽⁷⁾	(10.4)	(90.5)	(191.8)	(38.2)
Income taxes - discrete items ⁽⁸⁾	32.7	64.5	47.9	48.8
Total adjustments to net income (loss)	59.4	322.6	580.2	166.7
Net Operating Earnings Available to Common Shareholders (Non-GAAP)	\$ 130.1	\$ 169.6	\$ 507.5	\$ 494.7
Basic Average Common Shares Outstanding	387.0	377.2	384.3	374.6
GAAP Basic Earnings (Loss) Per Share	\$ 0.18	\$ (0.41)	\$ (0.19)	\$ 0.88
Adjustments to basic earnings (loss) per share	0.16	0.86	1.51	0.44
Non-GAAP Basic Net Operating Earnings Per Share	\$ 0.34	\$ 0.45	\$ 1.32	\$ 1.32

(1) Represents certain reimbursed costs for services rendered as part of the sale of the Massachusetts Business to Eversource that occurred on October 9, 2020.

(2) Represents costs incurred for estimated third-party claims and related other expenses as a result of the Greater Lawrence Incident, net of insurance recoveries recorded.

(3) Represents costs incurred in connection with the planned retirement of the Schahfer Generating Station. Includes costs for write downs of certain capital projects and materials and supplies inventory balances.

(4) Represents incremental severance and third-party consulting costs incurred in connection with the NiSource Next initiative.

(5) 2020 represents third-party consulting costs incurred for the separation and transition of the Massachusetts Business and the loss on sale to Eversource, offset by depreciation and amortization expense that was ceased for GAAP purposes as a result of classifying the Massachusetts Business as held for sale. 2019 represents a non-cash impairment of the Columbia of Massachusetts franchise rights and of the goodwill attributable to Columbia of Massachusetts as a result of the announced sale to Eversource.

(6) Represents non-recurring costs incurred for the early redemption of \$1,603.6 million in long-term notes, consisting primarily of early redemption premiums.

(7) Represents income tax expense calculated using the statutory tax rates by legal entity.

(8) 2020 represents non-deductible fines and penalties related to Greater Lawrence Incident and tax discrete adjustments in connection with the sale of the Massachusetts Business, including (i) deferred taxes on a TCJA regulatory liability divested, (ii) consolidated state deferred taxes and (iii) associated valuation allowance related to state net operating loss carryforward. 2019 represents (i) the non-deductible goodwill impairment, (ii) non-deductible fines and penalties and (iii) adjustments to consolidated state deferred taxes, all related to the Greater Lawrence Incident.

STOCKHOLDER INFORMATION

Forward-Looking Statements

This document contains "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, 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 document include, among other things, our ability to execute our business plan or growth strategy, including utility infrastructure investments; potential incidents and other operating risks associated with our business; our ability to adapt to, and manage costs related to, advances in technology; impacts related to our aging infrastructure; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the success of our electric generation strategy; construction risks and natural gas costs and supply risks; fluctuations in demand from residential and commercial customers; fluctuations in the price of energy commodities and related transportation costs or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands; the attraction and retention of a qualified workforce and ability to maintain good labor relations; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; potential cyber-attacks; any damage to our reputation; any remaining liabilities or impact related to the sale of Massachusetts Business; the impacts of natural disasters, potential terrorist attacks or other catastrophic events; the impacts of climate change and extreme weather conditions; our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; adverse economic and capital market conditions or increases in interest rates; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; continuing and potential future impacts from the COVID-19 pandemic; economic conditions in certain industries; the reliability of customers and suppliers to fulfill their payment and contractual obligations; the ability of our subsidiaries to generate cash; pension funding obligations; potential impairments of goodwill; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; potential remaining liabilities related to the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney's Office to settle the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; changes in taxation; and other matters set forth in Item 1, "Business," Item 1A, "Risk Factors" and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of the company's annual report on Form 10-K for the year ended December 31, 2020, some of which risks are beyond our control. 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. We undertake no obligation to, and expressly disclaim 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 document includes financial results and guidance for NiSource with respect to net operating earnings available to common shareholders, which is a non-GAAP financial measure as defined by the Securities and Exchange Commission's (SEC) 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. In addition, the company is not able to provide a reconciliation of its non-GAAP net operating earnings guidance to its GAAP equivalent without unreasonable efforts.

Investor Relations

(219) 647-5688

Media Relations

(614) 460-5544

media@nisource.com

Anticipated Dividend Record and Payment Dates* (NiSource Common Stock)

Record Date	Payment Date
02/09/21	02/19/21
04/30/21	05/20/21
07/30/21	08/20/21
10/29/21	11/19/21
02/08/22	02/18/22

Common Stock Dividend Declared

On February 19, 2021, the company paid a quarterly dividend of \$0.22 per share to stockholders of record as of the close of business on February 9, 2021, equivalent to \$0.88 per share on an annual basis.

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, Kentucky 40233
(888) 884-7790

- TDD for Hearing Impaired: (800) 231-5469
- Foreign Stockholders: (201) 680-6578
- TDD Foreign Stockholders: (201) 680-6610
- Computershare.com/investor

*Dividends are subject to board approval.

Investor and Financial Information

Financial analysts and investment professionals should direct written and telephone inquiries to NiSource Investor Relations, 801 East 86th Avenue, Merrillville, Indiana 46410 or (219) 647-5688. Copies of NiSource's financial reports are available at NiSource.com, or by writing or calling the Investor Relations department at the address or phone number listed above.

Stock Listing

NiSource Inc common stock is listed on the New York Stock Exchange under the ticker symbol "NI."

Independent Registered Public Accounting Firm

Deloitte & Touche

Sustainability

While addressed in the 2020 Integrated Annual Report, additional details on sustainability and environmental, social and governance (ESG) issues and related policies can be found under the Sustainability tab at NiSource.com.

Board of Directors

Communications with the Board of Directors may be made generally, to any director individually, to the non-management directors as a group or the lead director of the non-management group by writing to the following address:

NiSource Inc.

**Attention: Board of Directors, Board Member,
non-management directors or Chairman
c/o Corporate Secretary
801 East 86th Avenue
Merrillville, Indiana 46410**

Corporate Governance

At NiSource.com, shareholders can view the company's corporate governance guidelines, code of business conduct, political spending policy and charters of all board-level committees. Copies of these documents are available to shareholders without charge upon written request to Corporate Secretary at the above address.

COMPANY LOCATIONS

Corporate Headquarters

NiSource Inc.
801 E. 86th Avenue
Merrillville, Indiana 46410
(219) 647-5990
NiSource.com

Columbia Gas of Ohio

290 W. Nationwide Boulevard
Columbus, Ohio 43215
Emergency: (800) 344-4077
Customer Care: (800) 344-4077
ColumbiaGasOhio.com

NiSource Corporate Services

240 W. Nationwide Boulevard
Columbus, Ohio 43215
(614) 460-6000
NiSource.com

Columbia Gas of Pennsylvania

121 Champion Way
Canonsburg, Pennsylvania 15317
Emergency: (888) 460-4332
Customer Care: (888) 460-4332
ColumbiaGasPA.com

Columbia Gas of Kentucky

2001 Mercer Road
Lexington, Kentucky 40511
Emergency: (800) 432-9515
Customer Care: (800) 432-9345
ColumbiaGasKY.com

Columbia Gas of Virginia

1809 Coyote Drive
Chester, Virginia 23836
Emergency: (800) 544-5606
Customer Care: (800) 543-8911
ColumbiaGasVA.com

Columbia Gas of Maryland

121 Champion Way
Canonsburg, Pennsylvania 15317
Emergency: (888) 460-4332
Customer Care: (888) 460-4332
ColumbiaGasMD.com

NIPSCO

801 E. 86th Avenue
Merrillville, Indiana 46410
Customer Care: (800) 464-7726
Gas Emergency: (800) 634-3524
Electric Emergency: (800) 464-7726
NIPSCO.com



NiSource is a trademark of NiSource Inc. All other trademarks are the property of their respective owners. Further information about NiSource and its subsidiary companies can be found at NiSource.com. Information made available on our website does not constitute a part of this report.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2020
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 001-16189

NiSource Inc.

(Exact name of registrant as specified in its charter)

DE

(State or other jurisdiction of
incorporation or organization)

801 East 86th Avenue
Merrillville, IN

(Address of principal executive offices)

35-2108964

(I.R.S. Employer
Identification No.)

46410

(Zip Code)

(877) 647-5990

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	NI	NYSE
Depository Shares, each representing a 1/1,000th ownership interest in a share of 6.50% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, par value \$0.01 per share, liquidation preference \$25,000 per share and a 1/1,000th ownership interest in a share of Series B-1 Preferred Stock, par value \$0.01 per share, liquidation preference \$0.01 per share	NI PR B	NYSE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated Filer Emerging Growth Company Non-accelerated Filer Smaller Reporting Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's common stock, par value \$0.01 per share (the "Common Stock") held by non-affiliates was approximately \$8,671,854,266 based upon the June 30, 2020, closing price of \$22.74 on the New York Stock Exchange.

There were 391,859,711 shares of Common Stock outstanding as of February 9, 2021.

Documents Incorporated by Reference

Part III of this report incorporates by reference specific portions of the Registrant's Notice of Annual Meeting and Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 25, 2021.

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DEFINED TERMS

The following is a list of abbreviations or acronyms that are used in this report:

NiSource Subsidiaries, Affiliates and Former Subsidiaries

Columbia of Kentucky	Columbia Gas of Kentucky, Inc.
Columbia of Maryland	Columbia Gas of Maryland, Inc.
Columbia of Massachusetts	Bay State Gas Company
Columbia of Ohio	Columbia Gas of Ohio, Inc.
Columbia of Pennsylvania	Columbia Gas of Pennsylvania, Inc.
Columbia of Virginia	Columbia Gas of Virginia, Inc.
Company	NiSource Inc. and its subsidiaries, unless otherwise indicated by the context
NIPSCO	Northern Indiana Public Service Company LLC
NiSource ("we," "us" or "our")	NiSource Inc.
NiSource Corporate Services	NiSource Corporate Services Company

Abbreviations

ACE	Affordable clean energy
AFUDC	Allowance for funds used during construction
AMR	Automatic meter reading
AOCI	Accumulated Other Comprehensive Income
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	At-the-market
Board	Board of Directors
BTA	Build-transfer agreement
CAP	Compliance Assurance Process
CCGT	Combined Cycle Gas Turbine
CCRs	Coal Combustion Residuals
CEP	Capital Expenditure Program
CERCLA	Comprehensive Environmental Response Compensation and Liability Act (also known as Superfund)
COVID-19 ("the COVID-19 pandemic" or "the pandemic")	Novel Coronavirus 2019
DPA	Deferred prosecution agreement
DPU	Department of Public Utilities
DSIC	Distribution System Investment Charge
DSM	Demand Side Management
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FMCA	Federally Mandated Cost Adjustment
GAAP	Generally Accepted Accounting Principles
GCA	Gas cost adjustment
GHG	Greenhouse gas
GWh	Gigawatt hours

DEFINED TERMS

HLBV	Hypothetical Liquidation at Book Value
IRP	Infrastructure Replacement Program
IRS	Internal Revenue Service
IURC	Indiana Utility Regulatory Commission
LDCs	Local distribution companies
LIBOR	London inter-bank offered rate
LIFO	Last-in, first-out
MA DOR	Massachusetts Department of Revenue
Massachusetts Business	All of the assets sold to, and liabilities assumed by, Eversource pursuant to the Asset Purchase Agreement
MGP	Manufactured Gas Plant
MISO	Midcontinent Independent System Operator
MMDth	Million dekatherms
MW	Megawatts
MWh	Megawatt hours
NOL	Net Operating Loss
NTSB	National Transportation Safety Board
NYMEX	The New York Mercantile Exchange
NYSE	The New York Stock Exchange
OPEB	Other Postretirement and Postemployment Benefits
PCB	Polychlorinated biphenyls
PHMSA	U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration
PPA	Power Purchase Agreement
PSC	Public Service Commission
PUC	Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RCRA	Resource Conservation and Recovery Act
ROE	Return on Equity
Rosewater	Rosewater Wind Generation LLC
ROU	Right of use
SAVE	Steps to Advance Virginia's Energy Plan
SEC	Securities and Exchange Commission
SMRP	Safety Modification and Replacement Program
SMS	Safety Management System
STRIDE	Strategic Infrastructure Development and Enhancement
Sugar Creek	Sugar Creek electric generating plant
TCJA	Tax Cuts and Jobs Act of 2017
TDSIC	Transmission, Distribution and Storage System Improvement Charge
TSA	Transition Service Agreement
U.S. Attorney's Office	U.S. Attorney's Office for the District of Massachusetts
VIE	Variable Interest Entity
VSCC	Virginia State Corporation Commission

Note regarding forward-looking statements

This Annual Report on Form 10-K contains “forward-looking statements,” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the

"Exchange Act"). 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. These forward-looking statements include, but are not limited to, statements concerning our plans, strategies, objectives, expected performance, expenditures, recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. Expressions of future goals and expectations and similar expressions, including "may," "will," "should," "could," "would," "aims," "seeks," "expects," "plans," "anticipates," "intends," "believes," "estimates," "predicts," "potential," "targets," "forecast," and "continue," reflecting something other than historical fact are intended to identify forward-looking statements. 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 Annual Report on Form 10-K include, among other things, our ability to execute our business plan or growth strategy, including utility infrastructure investments; potential incidents and other operating risks associated with our business; our ability to adapt to, and manage costs related to, advances in technology; impacts related to our aging infrastructure; our ability to obtain sufficient insurance coverage and whether such coverage will protect us against significant losses; the success of our electric generation strategy; construction risks and natural gas costs and supply risks; fluctuations in demand from residential and commercial customers; fluctuations in the price of energy commodities and related transportation costs or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands; the attraction and retention of a qualified workforce and ability to maintain good labor relations; our ability to manage new initiatives and organizational changes; the performance of third-party suppliers and service providers; potential cyber-attacks; any damage to our reputation; any remaining liabilities or impact related to the sale of Massachusetts Business; the impacts of natural disasters, potential terrorist attacks or other catastrophic events; the impacts of climate change and extreme weather conditions; our debt obligations; any changes to our credit rating or the credit rating of certain of our subsidiaries; adverse economic and capital market conditions or increases in interest rates; economic regulation and the impact of regulatory rate reviews; our ability to obtain expected financial or regulatory outcomes; continuing and potential future impacts from the COVID-19 pandemic; economic conditions in certain industries; the reliability of customers and suppliers to fulfill their payment and contractual obligations; the ability of our subsidiaries to generate cash; pension funding obligations; potential impairments of goodwill; changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate; the outcome of legal and regulatory proceedings, investigations, incidents, claims and litigation; potential remaining liabilities related to the Greater Lawrence Incident; compliance with the agreements entered into with the U.S. Attorney's Office to settle the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident; compliance with applicable laws, regulations and tariffs; compliance with environmental laws and the costs of associated liabilities; changes in taxation; and other matters set forth in Item 1, "Business," Item 1A, "Risk Factors" and Part II. Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this report, some of which risks are beyond our control. 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. We undertake no obligation to, and expressly disclaim 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.

PART I

ITEM 1. BUSINESS

NISOURCE INC.

NiSource Inc. is an energy holding company under the Public Utility Holding Company Act of 2005 whose primary subsidiaries are fully regulated natural gas and electric utility companies, serving approximately 3.7 million customers in six states. NiSource is the successor to an Indiana corporation organized in 1987 under the name of NIPSCO Industries, Inc., which changed its name to NiSource on April 14, 1999.

NiSource's principal subsidiaries include NiSource Gas Distribution Group, Inc., a natural gas distribution holding company, and NIPSCO, a gas and electric company. NiSource derives substantially all of its revenues and earnings from the operating results of these rate-regulated businesses.

On February 26, 2020, NiSource and Columbia of Massachusetts entered into an Asset Purchase Agreement with Eversource (the "Asset Purchase Agreement"). Upon the terms and subject to the conditions set forth in the Asset Purchase Agreement, NiSource and Columbia of Massachusetts agreed to sell to Eversource, with certain additions and exceptions: (1) substantially all of the assets of Columbia of Massachusetts and (2) all of the assets held by any of Columbia of Massachusetts' affiliates that primarily relate to the Massachusetts Business, and (3) Eversource agreed to assume certain liabilities of Columbia of Massachusetts and its affiliates. The closing of the transaction occurred on October 9, 2020. Refer to Note 1-A, "Company Structure and Principles of Consolidation," Note 7, "Goodwill and Other Intangible Assets," Note 20-C, "Legal Proceedings," and Note 20-E, "Other Matters," in the Notes to Consolidated Financial Statements for more information.

The COVID-19 pandemic has had widespread effects, including impacts on the communities in which we serve as well as our business operations. NiSource has been pro-active in adjusting its operating procedures in response to the pandemic, including customer facing and field activities as well as our back-office support. Through 2020, we have not experienced material impacts to our ongoing or planned construction, replacement and maintenance activities as a result of the pandemic. Please refer to specific and potential impacts of the pandemic in Item 1A, "Risk Factors", Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Notes to Consolidated Financial Statements.

NiSource's reportable segments are: Gas Distribution Operations and Electric Operations. The following is a summary of the business for each reporting segment. Refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 24, "Segments of Business," in the Notes to Consolidated Financial Statements for additional information for each segment.

Gas Distribution Operations

Our natural gas distribution operations serve approximately 3.2 million customers in six states. We operate approximately 53,700 miles of distribution main pipeline plus the associated individual customer service lines and 1,700 miles of transmission main pipeline located in our service areas described below. Throughout our service areas we also have gate stations and other operations support facilities. Through our wholly-owned subsidiary NiSource Gas Distribution Group, Inc., we own five distribution subsidiaries that provide natural gas to approximately 2.4 million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, and Maryland. Additionally, we distribute natural gas to approximately 848,000 customers in northern Indiana through our wholly-owned subsidiary NIPSCO.

Rates include provisions to adjust billings for fluctuations in the cost of natural gas. Revenues are adjusted for differences between actual costs, subject to reconciliation, and the amounts billed in current rates.

Electric Operations

We generate, transmit and distribute electricity through our subsidiary NIPSCO to approximately 479,000 customers in 20 counties in the northern part of Indiana and also engage in wholesale electric and transmission transactions. NIPSCO owns and operates two coal-fired electric generating stations: four units at R.M. Schahfer located in Wheatfield, IN and one unit at Michigan City located in Michigan City, IN. The two operating facilities have a generating capacity of 2,080 MW. NIPSCO also owns and operates (i) Sugar Creek, a CCGT plant located in West Terre Haute, IN with generating capacity of 571 MW; (ii) two gas-fired generating units located at R.M. Schahfer with a generating capacity of 155 MW; and (iii) two hydroelectric generating plants with a generating capacity of 10 MW (Oakdale located at Lake Freeman in Carroll County, IN and Norway located at Lake Schahfer in White County, IN). These facilities provide for a total system operating generating capacity of 2,816 MW. NIPSCO is the managing partner in Rosewater Wind Generation LLC, a joint venture that owns and operates 102 MW of nameplate generating capacity in White County, IN. Refer to Note 4 "Variable Interest Entities" in the Notes to Consolidated Financial Statements for more information.

In May 2018, NIPSCO completed the retirement of two coal-burning units at Bailly Generating Station, located in Chesterton, IN. These units had a generating capacity of approximately 460 MW, which was replaced through various electric purchase agreements.

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ITEM 1. BUSINESS

NISOURCE INC.

NIPSCO's transmission system, with voltages from 69,000 to 765,000 volts, consists of 3,009 circuit miles. NIPSCO is interconnected with eight neighboring electric utilities. During the year ended December 31, 2020, NIPSCO generated 68.8% and purchased 31.2% of its electric requirements.

NIPSCO participates in the MISO transmission service and wholesale energy market. MISO is a nonprofit organization created in compliance with FERC regulations to improve the flow of electricity in the regional marketplace and to enhance electric reliability. Additionally, MISO is responsible for managing energy markets, transmission constraints and the day-ahead, real-time, Financial Transmission Rights and ancillary markets. NIPSCO transferred functional control of its electric transmission assets to MISO, and transmission service for NIPSCO occurs under the MISO Open Access Transmission Tariff.

Business Strategy

We focus our business strategy on providing safe and reliable service through our core, rate-regulated asset-based utilities, which generate substantially all of our operating income. Our utilities continue to move forward on core safety, infrastructure and environmental investment programs supported by complementary regulatory and customer initiatives across all six states in which we operate. Our goal is to develop strategies that benefit all stakeholders as we (i) address changing customer conservation patterns, (ii) align our price structures with our cost structure, and (iii) embark on long-term investment programs. These strategies focus on improving safety and reliability, enhancing customer service, lowering customer bills and reducing emissions while generating sustainable returns.

The safety of our customers, communities and employees remains our top priority. The SMS transitioned in 2020 from an accelerated project launch to an established operating model within NiSource. With the continued support and advice from the Quality Review Board, a panel of third parties with safety operations expertise engaged by management to advise on safety matters, we are continuing to mature our SMS processes, capabilities and talent as we collaborate within and across industries to enhance safety and reduce operational risk.

In its 2018 Integrated Resource Plan submission to the IURC, NIPSCO laid out a plan to retire the R.M. Schahfer Generating Station by 2023 and Michigan City Generating Station by 2028. These units represent 72% of NIPSCO's remaining generation capacity. The current replacement plan includes renewable sources of energy, including wind, solar, and battery storage, to be obtained through a combination of NIPSCO investment and PPAs. Refer to Note 20-E, "Other Matters," in the Notes to Consolidated Financial Statements for further discussion of these plans.

Rate Case Actions

The following table describes current rate case actions as applicable in each of our jurisdictions net of tracker impacts. See "Cost Recovery and Trackers" below for further detail on trackers.

(in millions)

Company	Proposed ROE	Approved ROE	Requested Incremental Revenue	Approved Incremental Revenue	Filed	Status	Rates Effective
NIPSCO - Electric ⁽¹⁾	10.80 %	9.75 %	\$ 21.4	\$ (53.5)	October 31, 2018	Approved December 4, 2019	January 2020
Columbia of Pennsylvania ⁽²⁾	9.86 %	N/A	\$ 76.8	In process	April 24, 2020	Order Expected Q1 2021	January 2021
Columbia of Maryland	10.95 %	None specified ⁽³⁾	\$ 5.0	\$ 2.0	May 15, 2020	Approved November 7, 2020	December 2020

⁽¹⁾Rates were implemented in two steps, with implementation of step 1 rates effective on January 2, 2020 and step 2 rates effective on March 2, 2020.

⁽²⁾On December 4, 2020, a Recommended Decision was issued by the Administrative Law Judge (ALJ) for the PUC to "deny the Company's request in its entirety because it has not met its burden of providing, by substantial evidence, that the proposed base rate revenue increase will result in just and reasonable rates, as required by 66 Pa.C.S.A. § 1301 during the current Coronavirus-2019 pandemic." Columbia of Pennsylvania filed Exceptions to the ALJ's Recommended Decision on December 22, 2020 in which the Company proposed an increase of \$76.8 million to be implemented in two steps: (1) an increase of \$38.4 million to be effective January 23, 2021 through June 30, 2021, and defer revenue related to the remaining increase to regulatory assets during this phase, and (2) the remaining increase of \$38.4 million to be implemented on July 1, 2021. Columbia of Pennsylvania proposed to recover the revenue deferred to a Regulatory Asset during the initial phase over a one-year period beginning January 1, 2022 and ending December 31, 2022. A Final Order from the PUC is expected during the first quarter of 2021 for rates effective retroactively on January 23, 2021.

⁽³⁾Columbia of Maryland's rate case resulted in a black box settlement, representing a settlement to a specific revenue increase but not a specified ROE. The settlement provides use of a 9.60% ROE for future Make Whole and Infrastructure Tracker filings.

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Competition and Changes in the Regulatory Environment

The regulatory frameworks applicable to our operations, including environmental regulations, at both the state and federal levels, continue to evolve. These changes have had and will continue to have an impact on our operations, structure and profitability. Management continually seeks new ways to be more competitive and profitable in this environment. We believe we are, in all material respects, in compliance with such laws and regulations and do not expect continued compliance to have a material impact on our capital expenditures, earnings, or competitive position. We continue to monitor existing and pending laws and regulations, and the impact of regulatory changes cannot be predicted with certainty. Refer to Note 20-D, "Environmental Matters" in the Notes to Consolidated Financial Statements for more information regarding environmental regulations that are applicable to our operations.

The Gas Distribution Operations utilities have pursued non-traditional revenue sources within the evolving natural gas marketplace. These efforts include (i) the sale of products and services upstream of the companies' service territory, (ii) the sale of products and services in the companies' service territories, and (iii) gas supply cost incentive mechanisms for service to their core markets. The upstream products are made up of transactions that occur between an individual Gas Distribution Operations utility and a buyer for the sales of unbundled or rebundled gas supply and capacity. The on-system services are offered by us to customers and include products such as the transportation and balancing of gas on the Gas Distribution Operations utility's system. The incentive mechanisms give the Gas Distribution Operations utilities an opportunity to share in the savings created from such situations as gas purchase prices paid below an agreed upon benchmark and their ability to reduce pipeline capacity charges with their customers.

Increased efficiency of natural gas appliances and improvements in home building codes and standards has contributed to a long-term trend of declining average use per customer. While historical rate design at the distribution level has been structured such that a large portion of cost recovery is based upon throughput rather than in a fixed charge, operating costs are largely incurred on a fixed basis and do not fluctuate due to changes in customer usage. As a result, Gas Distribution Operations have pursued changes in rate design to more effectively match recoveries with costs incurred. Each of the states in which Gas Distribution Operations operate has different requirements regarding the procedure for establishing changes to rate design. Columbia of Ohio has adopted a decoupled rate design that closely links the recovery of fixed costs with fixed charges. Columbia of Maryland and Columbia of Virginia have regulatory approval for weather and revenue normalization adjustments for certain customer classes, which adjust monthly revenues that exceed or fall short of approved levels. Columbia of Pennsylvania continues to operate its pilot residential weather normalization adjustment. Columbia of Kentucky incorporates a weather normalization adjustment. In a prior gas base rate proceeding, NIPSCO implemented a higher fixed customer charge for residential and small customer classes moving toward recovering more of its fixed costs through a fixed recovery charge, but has no weather or usage protection mechanism.

Cost Recovery and Trackers. Comparability of our line item operating results are impacted by regulatory trackers that allow for the future recovery in rates of certain costs as described below. Increases in expenses that are the subject to approved regulatory tracker mechanisms generally lead to increased regulatory assets, which ultimately result in a corresponding increase in operating revenues and, therefore, have essentially no impact on total operating income results. Certain approved regulatory tracker mechanisms allow for abbreviated regulatory proceedings in order for the operating companies to quickly implement revised rates and recover associated costs.

A portion of the Gas Distribution revenue is related to the recovery of gas costs, the review and recovery of which occurs through standard regulatory proceedings. All states in our operating area require periodic review of actual gas procurement activity to determine prudence and confirm the recovery of prudently incurred energy commodity costs supplied to customers.

A portion of the Electric Operations revenue is related to the recovery of fuel costs to generate power and the fuel costs related to purchased power. These costs are recovered through a FAC, which is updated quarterly to reflect actual costs incurred to supply electricity to customers.

Natural Gas Competition. Open access to natural gas supplies over interstate pipelines and the deregulation of the gas supply has led to tremendous change in the energy markets. LDC customers can purchase gas directly from producers and marketers in an open, competitive market. This separation or "unbundling" of the transportation and other services offered by LDCs allows customers to purchase the commodity independent of services provided by LDCs. LDCs continue to purchase gas and recover the associated costs from their customers. Our Gas Distribution Operations' subsidiaries are involved in programs that provide customers the opportunity to purchase their natural gas requirements from third parties and use our Gas Distribution Operations' subsidiaries for transportation services.

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Gas Distribution Operations competes with (i) investor-owned, municipal, and cooperative electric utilities throughout its service areas, (ii) other regulated and unregulated natural gas intra and interstate pipelines and (iii) other alternate fuels, such as propane and fuel oil. Gas Distribution Operations continues to be a strong competitor in the energy market as a result of strong customer preference for natural gas. Competition with providers of electricity has traditionally been the strongest in the residential and commercial markets of Kentucky, southern Ohio, central Pennsylvania and western Virginia due to comparatively low electric rates.

Electric Competition. Indiana electric utilities generally have exclusive service areas under Indiana regulations, and retail electric customers in Indiana do not have the ability to choose their electric supplier. NIPSCO faces non-utility competition from other energy sources, such as self-generation by large industrial customers and other distributed energy sources.

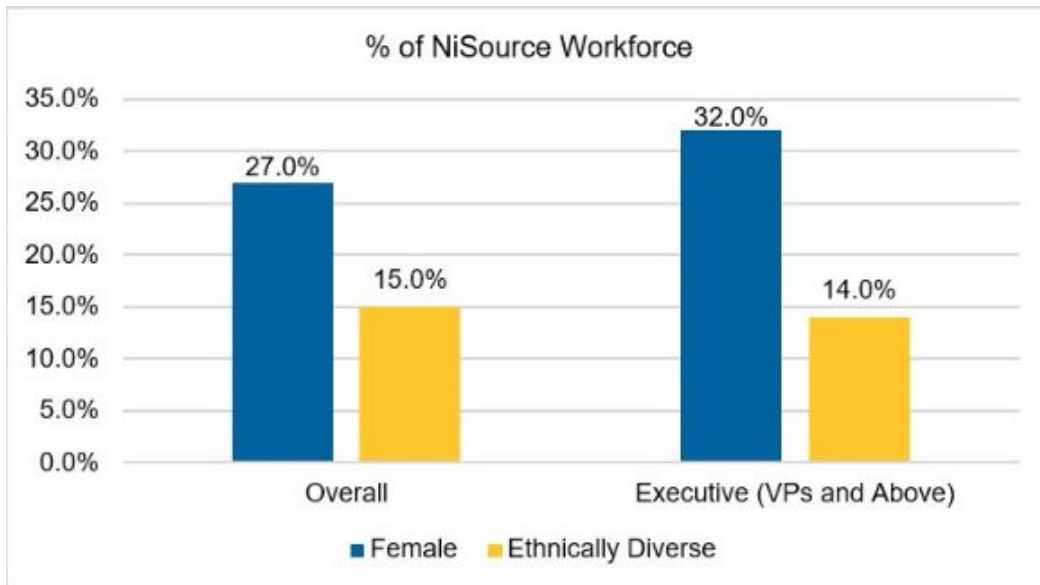
Seasonality
A significant portion of our operations are subject to seasonal fluctuations in sales. During the heating and cooling seasons, revenues from gas and electric sales, respectively, are more significant than in other months. The heating season is primarily from November through March, and the cooling season is primarily from June through September.

Human Capital
Human Capital Goals and Objectives. We have aligned our human capital goals to achieve the overall company objectives by driving an enhanced talent strategy, elevating support for front-line leaders, fostering a culture of rigor and accountability and strengthening our Human Resources function as a whole.

Workforce Composition. As of December 31, 2020, we had 7,301 full-time and 88 part-time employees. 2,728 employees were subject to collective bargaining agreements with various labor unions. Six of these agreements covering 527 employees are set to expire within one year.

Diversity. Our talent acquisition teams hired 612 external candidates in 2020 across all business segments. 35% of external hires were female and 18% were racially or ethnically diverse. In 2020, we engaged with community-based organizations, conducted career interest workshops in local schools, and focused our employee mentorship program on females. We also led a separate targeted development program for select employees to support the growth and development of female and ethnically diverse talent. We offered several employee resource groups (“ERGs”) and hosted mostly virtual activities throughout 2020. We have ERGs set up to support African-American, LatinX, veterans, LGBTQ+, female and Asian employees, among others, and held several sponsored conversations between senior executives and the ERGs.

The following provides the diversity breakdown of NiSource as of December 31, 2020:



Talent Development. We offer leadership development programs to enhance the behaviors and skills of our existing and future leaders. In 2020, we had participation from employees of all levels. We also offer extensive technical and non-technical

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employee training programs. Additionally, we strive to provide promotion and advancement opportunities for employees. In 2020, 84% of all leadership positions at the supervisor and above level were filled internally. Succession planning is regularly conducted to ensure bench strength for leadership positions. We utilize retention bonuses and conduct stay conversations in order to retain talent. Retention at NiSource in 2020 was over 93%. Retention is calculated using the total number of terminations divided by the average headcount for the annual period, not including the impacts from the sale of the Massachusetts Business and voluntary separation programs.

Employee Safety and Wellness. We have a number of programs to support employees and their families' physical, mental, and financial well-being. These programs include a paid wellness day, telemedicine services, an Employee Assistance Program, Integrated Health Management navigation services, employee paid sick/disability leave and paid illness in family days, competitive medical, dental, vision, life and long term disability programs including employee health savings account company contributions and no cost registered financial planner counseling.

In response to COVID-19, we have implemented procedures designed to protect our employees who work in the field and who continue to work in operational and corporate facilities, including social distancing, wearing face coverings, temperature checks and more frequent cleaning of equipment and facilities. We have also implemented work-from-home policies and practices. We have minimized non-essential work that requires an employee to enter a customer premise and limited company vehicle occupancy to one person, where possible. We continue to employ physical and cybersecurity measures to ensure that our operational and support systems remain functional. Our actions to date have mitigated the spread of COVID-19 amongst our employees. We will continue to follow the Centers for Disease Control and Prevention ("CDC") guidance and implement safety measures intended to ensure employee and customer safety during the pandemic.

Other Relevant Business Information

Our customer base is broadly diversified, with no single customer accounting for a significant portion of revenues.

For a listing of certain subsidiaries of NiSource refer to Exhibit 21.

We electronically file various reports with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports, as well as our proxy statements for the Company's annual meetings of stockholders at <http://www.sec.gov>. Additionally, we make all SEC filings available without charge to the public on our web site at <http://www.nisource.com>. The information contained on our website is not included in, nor incorporated by reference into, this Annual Report on Form 10-K.

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Our operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock.

OPERATIONAL RISKS

We may not be able to execute our business plan or growth strategy, including utility infrastructure investments.

Business or regulatory conditions may result in us not being able to execute our business plan or growth strategy, including identified, planned and other utility infrastructure investments, which includes investments related to natural gas pipeline modernization and investments related to our renewable energy projects and the build-transfer execution goals within our business plan. Our “NiSource Next” initiative, a comprehensive program designed to identify long-term sustainable capability enhancements and cost optimization improvements, may not be effective. Our customer and regulatory initiatives may not achieve planned results. Utility infrastructure investments may not materialize, may cease to be achievable or economically viable and may not be successfully completed. Natural gas may cease to be viewed as an economically and environmentally attractive fuel. Environmental activist groups, investors and governmental entities may continue to oppose natural gas delivery and infrastructure investments in the jurisdictions where we operate because of perceived environmental impacts associated with the natural gas supply chain and end use. Energy conservation, energy efficiency, distributed generation, energy storage, policies favoring electric heat over gas heat and other factors may reduce demand for natural gas and energy. In addition, we consider acquisitions or dispositions of assets or businesses, joint ventures and mergers from time to time as we execute on our business plan and growth strategy. Any of these circumstances could adversely affect our results of operations and growth prospects. Even if our business plan and growth strategy are executed, there is still risk of, among other things, human error in maintenance, installation or operations, shortages or delays in obtaining equipment, and performance below expected levels (in addition to the other risks discussed in this section).

Our gas distribution and transmission activities, as well as generation, transmission and distribution of electricity, involve a variety of inherent hazards and operating risks, including potential public safety risks.

Our gas distribution and transmission activities, as well as generation, transmission, and distribution of electricity, involve a variety of inherent hazards and operating risks, including, but not limited to, gas leaks and over-pressurization, downed power lines, excavation or vehicular damage to our infrastructure, outages, environmental spills, mechanical problems and other incidents, which could cause substantial financial losses, as demonstrated in part by the Greater Lawrence Incident. In addition, these hazards and risks have resulted and may in the future result in serious injury or loss of life to employees and/or the general public, significant damage to property, environmental pollution, impairment of our operations, adverse regulatory rulings and reputational harm, which in turn could lead to substantial losses for us. The location of pipeline facilities, including regulator stations, liquefied natural gas and underground storage, or generation, transmission, substation and distribution facilities near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from such incidents. As with the Greater Lawrence Incident, certain incidents have subjected and may in the future subject us to litigation or administrative or other legal proceedings from time to time, both civil and criminal, which could result in substantial monetary judgments, fines, or penalties against us, be resolved on unfavorable terms, and require us to incur significant operational expenses. The occurrence of incidents has in certain instances adversely affected and could in the future adversely affect our reputation, cash flows, financial position and/or results of operations. We maintain insurance against some, but not all, of these risks and losses.

Failure to adapt to advances in technology and manage the related costs could make us less competitive and negatively impact our results of operations and financial condition.

A key element of our business model includes generating power at central station power plants to achieve economies of scale and produce power at a competitive cost. We continue to research, plan for, and implement new technologies that produce reliable, cost-efficient power or reduce power consumption. These technologies include renewable energy, distributed generation, energy storage, and energy efficiency. Advances in technology, changes in laws or regulations (including subsidization) and other alternative methods of producing power are reducing the cost of electric generation from these sources to a level that is competitive with most central station power electric production. This could cause power sales to decline and the value of our generating facilities to decline. New technologies may require us to make significant expenditures to remain competitive and may result in the obsolescence of certain operating assets.

Our natural gas business model leverages widespread utilization of natural gas for space heating as a core driver of revenues. Alternative energy sources, new technologies or alternatives to natural gas space heating, including cold climate heat pumps and/or efficiency of other products, could reduce demand and increase customer attrition, which would impact our ability to recover on our investments in our gas distribution assets.

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In addition, customers are increasingly expecting additional communications, increased access to information, and expanded electronic capabilities regarding their electric and natural gas services, which, in some cases, involves additional investments in technology. We also rely on technology to adequately maintain key business records.

Our future success will depend, in part, on our ability to anticipate and successfully adapt to technological changes, to offer services that meet customer demands and evolving industry standards, and to recover all, or a significant portion of, any unrecovered investment in obsolete assets. A failure by us to effectively adapt to changes in technology and manage the related costs could harm our ability to remain competitive in the marketplace for our products, services and processes and could have a material adverse impact on our results of operations and financial condition.

Aging infrastructure may lead to disruptions in operations and increased capital expenditures and maintenance costs, all of which could negatively impact our financial results.

We have risks associated with aging infrastructure, including our electric and gas infrastructure assets. These risks can be driven by threats such as, but not limited to, electrical faults, mechanical failure, internal corrosion, external corrosion, ground movement and stress corrosion and/or cracking. The age of these assets may result in a need for replacement, a higher level of maintenance costs, or unscheduled outages, despite efforts by us to properly maintain or upgrade these assets through inspection, scheduled maintenance and capital investment. In addition, the nature of the information available on aging infrastructure assets, which in some cases is incomplete, may make inspections, maintenance, upgrading and replacement of the assets particularly challenging. Missing or incorrect infrastructure data may lead to (1) difficulty properly locating facilities, which can result in excavator damage and operational or emergency response issues, and (2) configuration and control risks associated with the modification of system operating pressures in connection with turning off or turning on service to customers, which can result in unintended outages or operating pressures. Also, additional maintenance and inspections are required in some instances in order to improve infrastructure information and records and address emerging regulatory or risk management requirements, which increases our costs. The failure to operate these assets as desired could result in interruption of electric service, major component failure at generating facilities and electric substations, gas leaks and other incidents and in our inability to meet firm service obligations, which could adversely impact revenues, and could also result in increased capital expenditures and maintenance costs, which, if not fully recovered from customers, could negatively impact our financial results.

We may be unable to obtain insurance on acceptable terms or at all, and the insurance coverage we do obtain may not provide protection against all significant losses.

Our ability to obtain insurance, as well as the cost and coverage of such insurance, are affected by developments affecting our business; international, national, state, or local events; and the financial condition and underwriting considerations of insurers. For example, some insurers are moving away from underwriting certain energy related businesses such as those in the coal industry or those exposed to certain perils such as wildfires as well as gas explosion events or other infrastructure-related risks. The utility insurance market is experiencing a hardening environment due to reductions in commercial suppliers and the capacity they are willing to issue, increases in overall demand for capacity, and a prevalence of severe losses. We have not been able to obtain liability insurance coverage at previously procured limits at rates that are acceptable to us. Insurance coverage may not continue to be available at limits, rates or terms acceptable to us. The premiums we pay for our insurance coverage have significantly increased as a result of market conditions and the accumulated loss ratio over the history of our operations, and we expect that they will continue to increase as a result of hardening in market conditions. In addition, our insurance is not sufficient or effective under all circumstances and against all hazards or liabilities to which we are subject. For example, total expenses related to the Greater Lawrence Incident exceeded the total amount of liability coverage available under our policies. Certain types of damages, expenses or claimed costs, such as fines and penalties, have been and in the future may be excluded under the policies. In addition, insurers providing insurance to us may raise defenses to coverage under the terms and conditions of the respective insurance policies that could result in a denial of coverage or limit the amount of insurance proceeds available to us. Any losses for which we are not fully insured or that are not covered by insurance at all could materially adversely affect our results of operations, cash flows, and financial position.

The implementation of NIPSCO's electric generation strategy, including the retirement of its coal generation units, may not achieve intended results.

Our plan to replace 80% of our coal generation capacity by mid-2023 and all of our coal generation by the end of 2028 with primarily renewable resources may not progress as anticipated. On October 31, 2018, NIPSCO submitted its 2018 Integrated Resource Plan with the IURC setting forth its short- and long-term electric generation plans in an effort to maintain affordability while providing reliable, flexible and cleaner sources of power. The Integrated Resource Plan evaluated demand-side and supply-side resource alternatives to meet NIPSCO customers' future energy requirements over the ensuing 20 years.

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The preferred option within the Integrated Resource Plan retires the R.M. Schahfer Generating Station by mid-2023 and the Michigan City Generating Station by the end of 2028. These stations represent 2,080 MW of generating capacity, equal to 72% of NIPSCO's remaining generating capacity and 100% of NIPSCO's remaining coal-fired generating capacity. The current replacement plan includes renewable sources of energy, including wind, solar, and battery storage. In the second quarter of 2020, the MISO approved NIPSCO's plan to retire the R.M. Schahfer Generating Station in 2023. In February 2021, NIPSCO decided to submit modified Attachment Y Notices to MISO requesting accelerated retirement of two of the four units at R.M. Schahfer Generating Station. The two units are now expected to be retired by the end of 2021, with the remaining two units still scheduled to be retired in 2023. Refer to Note 20- E. "Other Matters - NIPSCO 2018 Integrated Resource Plan," in the Notes to Consolidated Financial Statements for additional information.

There are inherent risks and uncertainties in executing the Integrated Resource Plan, including changes in market conditions, regulatory approvals, environmental regulations, commodity costs and customer expectations, which may impede NIPSCO's ability to achieve the intended results. NIPSCO's future success will depend, in part, on its ability to successfully implement its long-term electric generation plans, to offer services that meet customer demands and evolving industry standards, and to recover all, or a significant portion of, any unrecovered investment in obsolete assets. NIPSCO's electric generation strategy could require significant future capital expenditures, operating costs and charges to earnings that may negatively impact our financial position, financial results and cash flows. As required by statute, NIPSCO plans to submit a new Integrated Resource Plan to the IURC by November 1, 2021. This submission will again outline NIPSCO's short and long term plans for meeting the energy supply needs of its customers, taking into account current perspectives on a range of factors including, but not limited to, new state and federal policy, wholesale market rules, forecasted customer demand, and available resource alternatives. The analysis, conclusions and Preferred Plan in the 2021 Integrated Resource Plan may be different from the analysis, conclusions and Preferred Plan in the 2018 Integrated Resource Plan.

Our capital projects and programs subject us to construction risks and natural gas costs and supply risks, and are subject to regulatory oversight, including requirements for permits, approvals and certificates from various governmental agencies.

Our business requires substantial capital expenditures for investments in, among other things, capital improvements to our electric generating facilities, electric and natural gas distribution infrastructure, natural gas storage, and other projects, including projects for environmental compliance. We are engaged in intrastate natural gas pipeline modernization programs to maintain system integrity and enhance service reliability and flexibility. NIPSCO also is currently engaged in a number of capital projects, including environmental improvements to its electric generating stations, the construction of new transmission facilities, and new projects related to renewable energy. As we undertake these projects and programs, we may be unable to complete them on schedule or at the anticipated costs. Additionally, we may construct or purchase some of these projects and programs to capture anticipated future growth in natural gas production, which may not materialize, and may cause the construction to occur over an extended period of time.

Our existing and planned capital projects require numerous permits, approvals and certificates from federal, state, and local governmental agencies. If there is a delay in obtaining any required regulatory approvals or if we fail to obtain or maintain any required approvals or to comply with any applicable laws or regulations, we may not be able to construct or operate our facilities, we may be forced to incur additional costs, or we may be unable to recover any or all amounts invested in a project. We also may not receive the anticipated increases in revenue and cash flows resulting from such projects and programs until after their completion. Other construction risks include changes in costs of materials, equipment, commodities or labor (including changes to tariffs on materials), delays caused by construction incidents or injuries, work stoppages, shortages in qualified labor, poor initial cost estimates, unforeseen engineering issues, the ability to obtain necessary rights-of-way, easements and transmissions connections and general contractors and subcontractors not performing as required under their contracts.

On May 1, 2020, former President Donald Trump issued an executive order (the "EO") prohibiting any transaction initiated after that day that (i) involves bulk-power system ("BPS") equipment designed, developed, manufactured or supplied by persons owned by, controlled by or subject to the jurisdiction or direction of a foreign adversary and (ii) poses an unacceptable risk to national security. Implementing regulations from the U.S. Secretary of Energy are still pending. The EO also requires the U.S. Secretary of Energy to review the risk of existing bulk-power system equipment sourced from foreign adversaries and to establish a task force to review and recommend federal procurement policies and procedures consistent with the considerations identified in the EO. On July 8, 2020, the U.S. Department of Energy issued a Request for Information ("RFI"), seeking input from industry stakeholders to "understand the energy industry's current practices to identify and mitigate vulnerabilities in the supply chain" for components of bulk-power system equipment. The RFI identifies the following governments as "foreign adversaries": China, Cuba, Iran, North Korea, Russia and Venezuela. The RFI notes that the U.S. Secretary of Energy retains

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authority to amend this list at any time and such countries have been identified only for the purposes of the EO. Pursuant to the EO, on December 17, 2020, the U.S. Department of Energy issued a Prohibition Order (the “Prohibition Order”) prohibiting the acquisition, importation, transfer, or installment of specified BPS equipment from China that directly serves critical defense facilities. While the implications of the Prohibition Order are still being assessed, it could impact our procurement processes for BPS equipment. In the future, certain bulk-power system equipment owned or operated by NiSource could possibly be considered to be sourced from a foreign adversary within the meaning of the EO. These regulations, if implemented, may impact our procurement processes for bulk-power system equipment.

To the extent that delays occur, costs become unrecoverable, or we otherwise become unable to effectively manage and complete our capital projects, our results of operations, cash flows, and financial condition may be adversely affected.

A significant portion of the gas and electricity we sell is used by residential and commercial customers for heating and air conditioning. Accordingly, fluctuations in weather, gas and electricity commodity costs and economic conditions impact demand of our customers and our operating results.

Energy sales are sensitive to variations in weather. Forecasts of energy sales are based on “normal” weather, which represents a long-term historical average. Significant variations from normal weather, could have, and have had, a material impact on energy sales. Additionally, residential usage, and to some degree commercial usage, is sensitive to fluctuations in commodity costs for gas and electricity, whereby usage declines with increased costs, thus affecting our financial results. Lastly, residential and commercial customers’ usage is sensitive to economic conditions and factors such as unemployment, consumption and consumer confidence. Therefore, prevailing economic conditions affecting the demand of our customers may in turn affect our financial results.

Fluctuations in the price of energy commodities or their related transportation costs or an inability to obtain an adequate, reliable and cost-effective fuel supply to meet customer demands may have a negative impact on our financial results.

Our current electric generating fleet is dependent on coal and natural gas for fuel, and our gas distribution operations purchase and resell a portion of the natural gas we deliver to our customers. These energy commodities are subject to price fluctuations and fluctuations in associated transportation costs. When appropriate, we use hedging in order to offset fluctuations in commodity supply prices. We rely on regulatory recovery mechanisms in the various jurisdictions in order to fully recover the commodity costs incurred in selling energy to our customers. However, while we have historically been successful in the recovery of costs related to such commodity prices, there can be no assurance that such costs will be fully recovered through rates in a timely manner.

In addition, we depend on electric transmission lines, natural gas pipelines, and other transportation facilities owned and operated by third parties to deliver the electricity and natural gas we sell to wholesale markets, supply natural gas to our gas storage and electric generation facilities, and provide retail energy services to customers. If transportation is disrupted, or if capacity is inadequate, we may be unable to sell and deliver our gas and electric services to some or all of our customers. As a result, we may be required to procure additional or alternative electricity and/or natural gas supplies at then-current market rates, which, if recovery of related costs is disallowed, could have a material adverse effect on our businesses, financial condition, cash flows, results of operations and/or prospects.

Failure to attract and retain an appropriately qualified workforce, and maintain good labor relations, could harm our results of operations.

We operate in an industry that requires many of our employees to possess unique technical skill sets. Events such as an aging workforce without appropriate replacements, the mismatch of skill sets to future needs, or the unavailability of contract resources may lead to operating challenges or increased costs. These operating challenges include lack of resources, loss of knowledge, and a lengthy time period associated with skill development. In addition, current and prospective employees may determine that they do not wish to work for us due to market, economic, employment and other conditions. Failure to hire and retain qualified employees, including the ability to transfer significant internal historical knowledge and expertise to the new employees, may adversely affect our ability to manage and operate our business. If we are unable to successfully attract and retain an appropriately qualified workforce, safety, service reliability, customer satisfaction and our results of operations could be adversely affected.

Some of our employees are subject to collective bargaining agreements. Our collective bargaining agreements are generally negotiated on an operating company basis. Any failure to reach an agreement on new labor contracts or to negotiate these labor contracts might result in strikes, boycotts or other labor disruptions. Labor disruptions, strikes or significant negotiated wage

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and benefit increases, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on our businesses, results of operations and/or cash flows.

If we cannot effectively manage new initiatives and organizational changes, we will be unable to address the opportunities and challenges presented by our strategy and the business and regulatory environment.

In order to execute on our sustainable growth strategy and enhance our culture of ongoing continuous improvement, we must effectively manage the complexity and frequency of new initiatives and organizational changes. If we are unable to make decisions quickly, assess our opportunities and risks, and implement new governance, managerial and organizational processes as needed to execute our strategy in this increasingly dynamic and competitive business and regulatory environment, our financial condition, results of operations and relationships with our business partners, regulators, customers and stockholders may be negatively impacted.

We outsource certain business functions to third-party suppliers and service providers, and substandard performance by those third parties could harm our business, reputation and results of operations.

Utilities rely on extensive networks of business partners and suppliers to support critical enterprise capabilities across their organizations. Global metrics indicate that deliveries from suppliers are slowing and that labor shortages are occurring in the energy sector. We outsource certain services to third parties in areas including construction services, information technology, materials, fleet, environmental, operational services and other areas. Outsourcing of services to third parties could expose us to inferior service quality or substandard deliverables, which may result in non-compliance (including with applicable legal requirements and industry standards), interruption of service or accidents, or reputational harm, which could negatively impact our results of operations. If any difficulties in the operations of these third-party suppliers and service providers, including their systems, were to occur, they could adversely affect our results of operations, or adversely affect our ability to work with regulators, unions, customers or employees.

A cyber-attack on any of our or certain third-party computer systems upon which we rely may adversely affect our ability to operate and could lead to a loss or misuse of confidential and proprietary information or potential liability.

We are reliant on technology to run our business, which is dependent upon financial and operational computer systems to process critical information necessary to conduct various elements of our business, including the generation, transmission and distribution of electricity; operation of our gas pipeline facilities; and the recording and reporting of commercial and financial transactions to regulators, investors and other stakeholders. In addition to general information and cyber risks that all large corporations face (e.g., malware, unauthorized access attempts, phishing attacks, malicious intent by insiders, third-party software vulnerabilities and inadvertent disclosure of sensitive information), the utility industry faces evolving and increasingly complex cybersecurity risks associated with protecting sensitive and confidential customer and employee information, electric grid infrastructure, and natural gas infrastructure. Deployment of new business technologies, along with maintaining legacy technology, represents a large-scale opportunity for attacks on our information systems and confidential customer and employee information, as well as on the integrity of the energy grid and the natural gas infrastructure. Increasing large-scale corporate attacks in conjunction with more sophisticated threats continue to challenge power and utility companies. Any failure of our computer systems, or those of our customers, suppliers or others with whom we do business, could materially disrupt our ability to operate our business and could result in a financial loss and possibly do harm to our reputation.

Additionally, our information systems experience ongoing, often sophisticated, cyber-attacks by a variety of sources, including foreign sources, with the apparent aim to breach our cyber-defenses. Although we attempt to maintain adequate defenses to these attacks and work through industry groups and trade associations to identify common threats and assess our countermeasures, a security breach of our information systems, or a security breach of the information systems of our customers, suppliers or others with whom we do business, could (i) impact the reliability of our generation, transmission and distribution systems and potentially negatively impact our compliance with certain mandatory reliability standards, (ii) subject us to reputational and other harm or liabilities associated with theft or inappropriate release of certain types of information such as system operating information or information, personal or otherwise, relating to our customers or employees, (iii) impact our ability to manage our businesses, and/or (iv) subject us to legal and regulatory proceedings and claims from third parties, in addition to remediation costs, any of which, in turn, could have a material adverse effect on our businesses, cash flows, financial condition, results of operations and/or prospects. Although we do maintain cyber insurance, it is possible that such insurance will not adequately cover any losses or liabilities we may incur as a result of a cybersecurity incident.

We are exposed to significant reputational risks, which make us vulnerable to a loss of cost recovery, increased litigation and negative public perception.

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As a utility company, we are subject to adverse publicity focused on the reliability of our services, the speed with which we are able to respond effectively to electric outages, natural gas leaks or events and related accidents and similar interruptions caused by storm damage or other unanticipated events, as well as our own or third parties' actions or failure to act. We are also subject to adverse publicity related to actual or perceived environmental impacts. If customers, legislators, or regulators have or develop a negative opinion of us, this could result in less favorable legislative and regulatory outcomes or increased regulatory oversight, increased litigation and negative public perception. The adverse publicity and investigations we experienced as a result of the Greater Lawrence Incident may have an ongoing negative impact on the public's perception of us. It is difficult to predict the ultimate impact of this adverse publicity. The foregoing may have continuing adverse effects on our business, results of operations, cash flow and financial condition.

The sale of the Massachusetts Business poses risks and challenges that could negatively impact our business, and we may not realize the expected benefits of the sale of the Massachusetts Business.

On October 9, 2020, we completed the sale of the Massachusetts Business to Eversource. The sale of the Massachusetts Business involves separation or carve-out activities and costs and possible disputes with Eversource. We have continued financial liabilities with respect to the business conducted by Columbia of Massachusetts, as we retain responsibility for, and have agreed to indemnify Eversource against, certain liabilities. This responsibility includes liabilities for any fines arising out of the Greater Lawrence Incident and liabilities of Columbia of Massachusetts or its affiliates pursuant to civil claims for injury of persons or damage to property to the extent such injury or damage occurred prior to the closing in connection with the Massachusetts Business. It may also be difficult to determine whether a claim from a third party is our responsibility, and we may expend substantial resources trying to determine whether we or Eversource has responsibility for the claim.

Further, the sale of the Massachusetts Business may result in a dilutive impact to our future earnings if we are unable to offset the loss of revenue associated with the sale, which could have a material adverse effect on our results of operations and financial condition.

The impacts of natural disasters, acts of terrorism, acts of war, civil unrest, cyber-attacks, accidents, public health emergencies or other catastrophic events may disrupt operations and reduce the ability to service customers.

A disruption or failure of natural gas distribution systems, or within electric generation, transmission or distribution systems, in the event of a major hurricane, tornado, terrorist attack, acts of war, civil unrest, cyber-attack (as further detailed above), accident, public health emergency, pandemic, or other catastrophic event could cause delays in completing sales, providing services, or performing other critical functions. We have experienced disruptions in the past from hurricanes and tornadoes and other events of this nature. Also, companies in our industry face a heightened risk of exposure to acts of terrorism and vandalism. The occurrence of such events could adversely affect our financial position and results of operations. In accordance with customary industry practice, we maintain insurance against some, but not all, of these risks and losses.

Climate change has the potential to affect our business.

Our strategy may be impacted by policy and legal, technology, market, and reputational risks and opportunities that are associated with the transition to a lower-carbon economy, as disclosed in other risk factors in this section. In addition, climate change may exacerbate the risks to our physical infrastructure, including heat stresses to power lines, storms that damage infrastructure, lake and sea level changes that affect the manner in which services are currently provided, droughts or other stresses on water used to supply services, and other extreme weather conditions. Climate change and the transition to a lower carbon economy have the potential to affect our business by reducing our ability to serve customers, increasing the costs we incur in providing our products and services, impacting the demand for and consumption of our products and services (due to changes in costs, technology, reputation and weather patterns), and affecting the economic health of the regions in which we operate. Changes in policy to combat climate change, and technology advancement, each of which can also accelerate the implications of a transition to a lower carbon economy, may materially adversely impact our business, financial position, results of operations, and cash flows.

Extreme weather conditions may negatively impact our operations.

We conduct our operations across a wide geographic area subject to varied and potentially extreme weather conditions, which may from time to time persist for sustained periods of time. Despite preventative maintenance efforts, persistent weather related stress on our infrastructure may reveal weaknesses in our systems not previously known to us or otherwise present various operational challenges across all business segments. Further, adverse weather may affect our ability to conduct operations in a manner that satisfies customer expectations or contractual obligations, including by causing service disruptions.

ITEM 1A. RISK FACTORS

NISOURCE INC.

FINANCIAL, ECONOMIC AND MARKET RISKS

We have substantial indebtedness which could adversely affect our financial condition.

Our business is capital intensive and we rely significantly on long-term debt to fund a portion of our capital expenditures and repay outstanding debt, and on short-term borrowings to fund a portion of day-to-day business operations. We had total consolidated indebtedness of \$9,746.1 million outstanding as of December 31, 2020. Our substantial indebtedness could have important consequences. For example, it could:

- limit our ability to borrow additional funds or increase the cost of borrowing additional funds;
- reduce the availability of cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in the business and the industries in which we operate;
- lead parties with whom we do business to require additional credit support, such as letters of credit, in order for us to transact such business;
- place us at a competitive disadvantage compared to competitors that are less leveraged;
- increase vulnerability to general adverse economic and industry conditions; and
- limit our ability to execute on our growth strategy, which is dependent upon access to capital to fund our substantial infrastructure investment program.

Some of our debt obligations contain financial covenants related to debt-to-capital ratios and cross-default provisions. Our failure to comply with any of these covenants could result in an event of default, which, if not cured or waived, could result in the acceleration of outstanding debt obligations.

A drop in our credit ratings could adversely impact our cash flows, results of operation, financial condition and liquidity.

The availability and cost of credit for our businesses may be greatly affected by credit ratings. The credit rating agencies periodically review our ratings, taking into account factors such as our capital structure, earnings profile, and, in 2020 and 2021, the impacts of the COVID-19 pandemic. We are committed to maintaining investment grade credit ratings; however, there is no assurance we will be able to do so in the future. Our credit ratings could be lowered or withdrawn entirely by a rating agency if, in its judgment, the circumstances warrant. Any negative rating action could adversely affect our ability to access capital at rates and on terms that are attractive. A negative rating action could also adversely impact our business relationships with suppliers and operating partners, who may be less willing to extend credit or offer us similarly favorable terms as secured in the past under such circumstances.

Certain of our subsidiaries have agreements that contain “ratings triggers” that require increased collateral in the form of cash, a letter of credit or other forms of security for new and existing transactions if our credit ratings (including the standalone credit ratings of certain of our subsidiaries) are dropped below investment grade. These agreements are primarily for insurance purposes and for the physical purchase or sale of gas or power. As of December 31, 2020, the collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately \$53.9 million. In addition to agreements with ratings triggers, there are other agreements that contain “adequate assurance” or “material adverse change” provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business.

If our or certain of our subsidiaries' credit ratings were downgraded, especially below investment grade, financing costs and the principal amount of borrowings would likely increase due to the additional risk of our debt and because certain counterparties may require additional credit support as described above. Such amounts may be material and could adversely affect our cash flows, results of operations and financial condition. Losing investment grade credit ratings may also result in more restrictive covenants and reduced flexibility on repayment terms in debt issuances, lower share price and greater stockholder dilution from common equity issuances, in addition to reputational damage within the investment community.

The novel coronavirus (COVID-19) pandemic adversely impacts our business, results of operations, financial condition, liquidity and cash flows.

ITEM 1A. RISK FACTORS

NISOURCE INC.

The continued spread of COVID-19 has resulted in widespread impacts on the global economy and financial markets and could lead to a prolonged reduction in economic activity, extended disruptions to supply chains and capital markets, and reduced labor availability and productivity. We have experienced lower revenues, higher expenses for personal protective equipment and supplies, and higher bad debt expense as a consequence of the pandemic, which has negatively impacted our results of operations as of December 31, 2020. Our future operating results and liquidity may continue to be impacted by the pandemic, but the extent of the impact remains uncertain. Such ongoing impact of the pandemic includes, but is not limited to:

- Lower revenue and cash flow, resulting from the decrease in commercial and industrial gas and electric demand as businesses comply with operating restrictions and re-opening plans in each state and as businesses experience negative economic impact from the pandemic, potentially offset by higher residential demand;
- Lower revenue and cash flow due to the continuing suspension of late payment and reconnection fees in some jurisdictions;
- A decline in revenue due to an increase in customer attrition rates, as well as lower revenue growth if customer additions slow due to a prolonged economic downturn;
- A continued increase in bad debt and a decrease in cash flows resulting from the suspension of shut-offs and the inability of our customers to pay for their gas and electric service due to job loss or other factors, partially offset by regulatory deferral;
- Lower revenues on a prolonged basis resulting from higher customer bankruptcies, predominately focused on commercial and industrial customers not able to sustain operations through the broader economic downturn;
- A continued delay in cash flows as customers utilize the more flexible payment plans we offer; and
- An increase in internal labor costs from higher overtime.

We also face the risk of not achieving operational compliance and/or customer requirements because of work restrictions or unavailable employees due to the pandemic. For more information regarding the items above and additional items related to the pandemic that we are evaluating and monitoring, please see our discussion of these topics in Part II., Item 7. "Management Discussion and Analysis of Financial Condition and Results of Operations - Executive Summary - Introduction - COVID-19" in this report and in our future filings with the Securities and Exchange Commission. To the extent the pandemic adversely affects our business, results of operations, financial condition, liquidity or cash flows, it may also have the effect of heightening many of the other Risk Factors described herein. The degree to which the pandemic will impact us will depend in part on future developments, including the continued severity and duration of the outbreak, actions that may be taken by governmental authorities, and to what extent and when normal economic and operating conditions can resume.

Adverse economic and market conditions, including as a result of the COVID-19 pandemic, or increases in interest rates could materially and adversely affect our business, results of operations, cash flows, financial condition and liquidity.

Deteriorating, sluggish or volatile economic conditions in our operating jurisdictions could adversely impact our ability to maintain or grow our customer base and collect revenues from customers, which could reduce our revenue or growth rate and increase operating costs. The continued spread of COVID-19 has resulted in widespread impacts on the global economy and financial markets and could lead to a prolonged reduction in economic activity, disruptions to supply chains and capital markets, and reduced labor availability and productivity.

In connection with the pandemic, certain state regulatory commissions instituted disconnection moratoriums and the suspension of collection of late payment fees, deposits and reconnection fees, which impacted our ability to pursue our standard credit risk mitigation practices. Following the issuance of these moratoriums, certain of our regulated operations have been authorized to record a regulatory asset for bad debt expense above levels currently in rates. While several of these moratoriums remain in place, we have reinstated our common credit mitigation practices where moratoriums have expired. It is possible that such moratoriums will be extended or reinstated as the pandemic continues.

In addition, the pandemic has impacted our physical business operations, resulting in delays in conducting certain residential work and additional costs required to comply with pandemic-related health and safety protocols.

Further, we rely on access to the capital markets to finance our liquidity and long-term capital requirements, including expenditures for our utility infrastructure and to comply with future regulatory requirements, to the extent not satisfied by the cash flow generated by our operations. We have historically relied on long-term debt and on the issuance of equity securities to

ITEM 1A. RISK FACTORS

NISOURCE INC.

fund a portion of our capital expenditures and repay outstanding debt, and on short-term borrowings to fund a portion of day-to-day business operations. Successful implementation of our long-term business strategies, including capital investment, is dependent upon our ability to access the capital and credit markets, including the banking and commercial paper markets, on competitive terms and rates. An economic downturn or uncertainty, market turmoil, changes in tax policy, challenges faced by financial institutions, changes in our credit ratings, or a change in investor sentiment toward us or the utilities industry generally could adversely affect our ability to raise additional capital or refinance debt. Reduced access to capital markets, increased borrowing costs, and/or lower equity valuation levels could reduce future earnings per share and cash flows. Refer to Note 15, "Long-Term Debt," in the Notes to Consolidated Financial Statements for information related to outstanding long-term debt and maturities of that debt. In addition, any rise in interest rates may lead to higher borrowing costs, which may adversely impact reported earnings, cost of capital and capital holdings.

If, in the future, we face limits to the credit and capital markets or experience significant increases in the cost of capital or are unable to access the capital markets, it could limit our ability to implement, or increase the costs of implementing, our business plan, which, in turn, could materially and adversely affect our results of operations, cash flows, financial condition and liquidity.

Most of our revenues are subject to economic regulation and are exposed to the impact of regulatory rate reviews and proceedings.

Most of our revenues are subject to economic regulation at either the federal or state level. As such, the revenues generated by us are subject to regulatory review by the applicable federal or state authority. These rate reviews determine the rates charged to customers and directly impact revenues. Our financial results are dependent on frequent regulatory proceedings in order to ensure timely recovery of costs and investments.

The outcomes of these proceedings are uncertain, potentially lengthy and could be influenced by many factors, some of which may be outside of our control, including the cost of providing service, the necessity of expenditures, the quality of service, regulatory interpretations, customer intervention, economic conditions and the political environment. Further, the rate orders are subject to appeal, which creates additional uncertainty as to the rates that will ultimately be allowed to be charged for services. The COVID-19 pandemic is another factor that will continue to influence the regulatory process, such as the implementation of disconnection moratoriums as discussed above and the risk of not being able to recover costs and/or returns on invested capital through raising rates during a pandemic, which has disproportionately impacted vulnerable customers and communities.

Additionally, the costs of complying with current and future changes in environmental and federal pipeline safety laws and regulations are expected to be significant, and their recovery through rates will also be contingent on regulatory approval.

Our business operations are subject to economic conditions in certain industries.

Business operations throughout our service territories have been and may continue to be adversely affected by economic events at the national and local level where our businesses operate. In particular, sales to large industrial customers, such as those in the steel, oil refining, industrial gas and related industries, are impacted by economic downturns, including the downturn resulting from the COVID-19 pandemic; geographic or technological shifts in production or production methods; and consumer demand for environmentally friendly products and practices. The U.S. manufacturing industry continues to adjust to changing market conditions including international competition, increasing costs, and fluctuating demand for its products. In addition, our results of operations are negatively impacted by lower revenues resulting from higher bankruptcies, predominately focused on commercial and industrial customers not able to sustain operations through the economic disruptions related to the pandemic.

We are exposed to risk that customers will not remit payment for delivered energy or services, and that suppliers or counterparties will not perform under various financial or operating agreements.

Our extension of credit is governed by a Corporate Credit Risk Policy, involves considerable judgment by our employees and is based on an evaluation of a customer or counterparty's financial condition, credit history and other factors. We monitor our credit risk exposure by obtaining credit reports and updated financial information for customers and suppliers, and by evaluating the financial status of our banking partners and other counterparties by reference to market-based metrics such as credit default swap pricing levels, and to traditional credit ratings provided by the major credit rating agencies. Adverse economic conditions result in an increase in defaults by customers, suppliers and counterparties. As stated above, in connection with the COVID-19 pandemic, certain state regulatory commissions instituted regulatory moratoriums that have impacted our ability to pursue our standard credit risk mitigation practices.

ITEM 1A. RISK FACTORS

NISOURCE INC.

We are a holding company and are dependent on cash generated by our subsidiaries to meet our debt obligations and pay dividends on our stock.

We are a holding company and conduct our operations primarily through our subsidiaries, which are separate and distinct legal entities. Substantially all of our consolidated assets are held by our subsidiaries. Accordingly, our ability to meet our debt obligations or pay dividends on our common stock and preferred stock is largely dependent upon cash generated by these subsidiaries. In the event a major subsidiary is not able to pay dividends or transfer cash flows to us, our ability to service our debt obligations or pay dividends could be negatively affected.

Capital market performance and other factors may decrease the value of benefit plan assets, which then could require significant additional funding and impact earnings.

The performance of the capital markets affects the value of the assets that are held in trust to satisfy future obligations under defined benefit pension and other postretirement benefit plans. We have significant obligations in these areas and hold significant assets in these trusts as noted in Note 12, "Pension and Other Postretirement Benefits," in the Notes to Consolidated Financial Statements. These assets are subject to market fluctuations and may yield uncertain returns, which fall below our projected rates of return. A decline in the market value of assets may increase the funding requirements of the obligations under the defined benefit pension plan. Additionally, changes in interest rates affect the liabilities under these benefit plans; as interest rates decrease, the liabilities increase, which could potentially increase funding requirements. Further, the funding requirements of the obligations related to these benefits plans may increase due to changes in governmental regulations and participant demographics, including increased numbers of retirements or longer life expectancy assumptions, as well as voluntary early retirements. In addition, lower asset returns result in increased expenses. Ultimately, significant funding requirements and increased pension or other postretirement benefit plan expense could negatively impact our results of operations and financial position.

We have significant goodwill. Any future impairments of goodwill could result in a significant charge to earnings in a future period and negatively impact our compliance with certain covenants under financing agreements.

In accordance with GAAP, we test goodwill for impairment at least annually and review our definite-lived intangible assets for impairment when events or changes in circumstances indicate its fair value might be below its carrying value. Goodwill is also tested for impairment when factors, examples of which include reduced cash flow estimates, a sustained decline in stock price or market capitalization below book value, indicate that the carrying value may not be recoverable.

A significant charge in the future could impact the capitalization ratio covenant under certain financing agreements. We are subject to a financial covenant under our revolving credit facility, which requires us to maintain a debt to capitalization ratio that does not exceed 70%. As of December 31, 2020, the ratio was 62.5%.

Changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate could adversely affect our business, financial condition, results of operations and cash flows.

Some of our indebtedness, including borrowings under our revolving credit agreement, bears interest at a variable rate based on LIBOR. From time to time, we also enter into hedging instruments to manage our exposure to fluctuations in the LIBOR benchmark interest rate. In addition, these hedging instruments, as well as hedging instruments that our subsidiaries use for hedging natural gas price and basis risk, rely on LIBOR-based rates to calculate interest accrued on certain payments that may be required to be made under these agreements, such as late payments or interest accrued if any cash collateral should be held by a counterparty. Any changes announced by regulators in the method pursuant to which the LIBOR rates are determined may result in a sudden or prolonged increase or decrease in the reported LIBOR rates. If that were to occur, the level of interest payments we incur may change.

In July 2017, the United Kingdom Financial Conduct Authority ("FCA"), which regulates LIBOR, announced that the FCA intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. In November 2020, the Board of Governors of the U.S. Federal Reserve System, the Federal Deposit Insurance Corporation and the Office of the U.S. Comptroller of the Currency collectively issued a statement encouraging banks to stop entering into financial contracts that use LIBOR as a reference rate as soon as possible, and no later than December 31, 2021. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United Kingdom or elsewhere. In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York. The Alternative Reference Rates Committee has proposed the Secured Overnight Financing Rate ("SOFR") as its recommended alternative to LIBOR, and the Federal Reserve Bank of New York began publishing SOFR rates in April 2018. SOFR is intended to be a

ITEM 1A. RISK FACTORS

NISOURCE INC.

broad measure of the cost of borrowing cash overnight that is collateralized by U.S. Treasury securities. However, because SOFR is a broad U.S. Treasury repurchase agreement financing rate that represents overnight secured funding transactions, it differs fundamentally from LIBOR. For example, SOFR is a secured overnight rate, while LIBOR is an unsecured rate that represents interbank funding over different maturities. In addition, because SOFR is a transaction-based rate, it is backward-looking, whereas LIBOR is forward-looking. Because of these and other differences, there is no assurance that SOFR will perform in the same way as LIBOR would have performed at any time, and there is no guarantee that it is a comparable substitute for LIBOR.

In addition, although certain of our LIBOR based obligations provide for alternative methods of calculating the interest rate payable on certain of our obligations if LIBOR is not reported, which include, without limitation, requesting certain rates from major reference banks in London or New York, uncertainty as to the extent and manner of future changes may result in interest rates and/or payments that are higher than, lower than or that do not otherwise correlate over time with, the interest rates or payments that would have been made on our obligations if a LIBOR-based rate was available in its current form.

LITIGATION, REGULATORY AND LEGISLATIVE RISKS

The outcome of legal and regulatory proceedings, investigations, inquiries, claims and litigation related to our business operations may have a material adverse effect on our results of operations, financial position or liquidity.

We are involved in legal and regulatory proceedings, investigations, inquiries, claims and litigation in connection with our business operations, including those related to the Greater Lawrence Incident, the most significant of which are summarized in Note 20, "Other Commitments and Contingencies" in the Notes to Consolidated Financial Statements. Our insurance does not cover all costs and expenses that we have incurred or that we may incur in the future relating to the Greater Lawrence Incident, and may not fully cover incidents that could occur in the future. Due to the inherent uncertainty of the outcomes of such matters, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on our results of operations, financial position or liquidity.

The Greater Lawrence Incident has materially adversely affected and may continue to materially adversely affect our financial condition, results of operations and cash flows.

In connection with the Greater Lawrence Incident, we have incurred and will incur various costs and expenses. We have been subject to inquiries and investigations by government authorities and regulatory agencies regarding the Greater Lawrence Incident, including the Massachusetts DPU and the Massachusetts Attorney General's Office, as further described in Note 7, "Goodwill and Other Intangible Assets," Note 20-C, "Legal Proceedings," and Note 20-E, "Other Matters" in the Notes to Consolidated Financial Statements.

While we have recovered the full amount of our liability insurance coverage available under our policies, total expenses related to the incident have exceeded such amount. Expenses in excess of our liability insurance coverage have materially adversely affected and may continue to materially adversely affect our results of operations, cash flows and financial position.

We may also incur additional costs associated with the Greater Lawrence Incident, beyond the amount currently anticipated, including in connection with the U.S. Attorney's Office investigation as well as civil litigation. Further, state or federal legislation may be enacted that would require us to incur additional costs by mandating various changes, including changes to our operating practice standards for natural gas distribution operations and safety. If we are unable to recover the capital cost of the gas pipeline replacement through the pending property insurance litigation related to this matter, or we incur a material amount of other costs, our financial condition, results of operations, and cash flows could be materially and adversely affected.

Further, if it is determined in other matters that we did not comply with applicable statutes, regulations or rules in connection with the operations or maintenance of our natural gas system, and we are ordered to pay additional amounts in penalties, or other amounts, our financial condition, results of operations, and cash flows could be materially and adversely affected.

Our settlement with the U.S. Attorney's Office in respect of federal charges in connection with the Greater Lawrence Incident may expose us to further penalties, liabilities and private litigation, and may impact our operations.

On February 26, 2020, the Company entered into a DPA and Columbia of Massachusetts entered into a plea agreement with the U.S. Attorney's Office to resolve the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident, which was subsequently approved by the United States District Court for the District of Massachusetts (the "Court"). See Note 20-C, "Legal Proceedings" in the Notes to Consolidated Financial Statements. The agreements impose various compliance and remedial obligations on the Company and Columbia of Massachusetts. Failure to comply with the terms of these agreements could result in further enforcement action by the U.S. Attorney's Office, expose the Company and Columbia of Massachusetts

ITEM 1A. RISK FACTORS

NISOURCE INC.

to penalties, financial or otherwise, and subjects the Company to further private litigation, each of which could impact our operations and have a material adverse effect on our business.

Our businesses are subject to various laws, regulations and tariffs. We could be materially adversely affected if we fail to comply with such laws, regulations and tariffs or with any changes in or new interpretations of such laws, regulations and tariffs.

Our businesses are subject to various laws, regulations and tariffs, including, but not limited to, those relating to natural gas pipeline safety, employee safety, the environment and our energy infrastructure. Existing laws, regulations and tariffs may be revised or become subject to new interpretations, and new laws, regulations and tariffs may be adopted or become applicable to us and our operations. In some cases, compliance with new laws, regulations and tariffs increases our costs. If we fail to comply with laws, regulations and tariffs applicable to us or with any changes in or new interpretations of such laws, regulations or tariffs, our financial condition, results of operations, regulatory outcomes and cash flows may be materially adversely affected.

Our businesses are regulated under numerous environmental laws. The cost of compliance with these laws, and changes to or additions to, or reinterpretations of the laws, could be significant. Liability from the failure to comply with existing or changed laws could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Our businesses are subject to extensive federal, state and local environmental laws and rules that regulate, among other things, air emissions, water usage and discharges, GHG and waste products such as coal combustion residuals. Compliance with these legal obligations require us to make expenditures for installation of pollution control equipment, remediation, environmental monitoring, emissions fees, and permits at many of our facilities. These expenditures are significant, and we expect that they will continue to be significant in the future. Furthermore, if we fail to comply with environmental laws and regulations or are found to have caused damage to the environment or persons, that failure or harm may result in the assessment of civil or criminal penalties and damages against us, injunctions to remedy the failure or harm, and the inability to operate facilities as designed.

Existing environmental laws and regulations may be revised and new laws and regulations seeking to change environmental regulation of the energy industry may be adopted or become applicable to us, with an increasing focus on both coal and natural gas. Revised or additional laws and regulations may result in significant additional expense and operating restrictions on our facilities or increased compliance costs, which may not be fully recoverable from customers through regulated rates and could, therefore, impact our financial position, financial results and cash flow. Moreover, such costs could materially affect the continued economic viability of one or more of our facilities.

An area of significant uncertainty and risk are the laws concerning emission of GHG. While we continue to reduce GHG emissions through the retirement of coal-fired electric generation, increased sourcing of renewable energy, and priority pipeline replacement, energy efficiency programs, leak detection and repair, GHG emissions are currently an expected aspect of the electric and natural gas business. Revised or additional future GHG legislation and/or regulation related to the generation of electricity or the extraction, production, distribution, transmission, storage and end use of natural gas could materially impact our gas supply, financial position, financial results and cash flows.

Even in instances where legal and regulatory requirements are already known or anticipated, the original cost estimates for environmental improvements, remediation of past environmental impact, or pollution reduction strategies and equipment can differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including the nature and extent of impact, the method of improvement, the cost of raw materials, contractor costs, and requirements established by environmental authorities. Changes in costs and the ability to recover under regulatory mechanisms could affect our financial position, financial results and cash flows.

Changes in taxation and the ability to quantify such changes as well as challenges to tax positions could adversely affect our financial results.

We are subject to taxation by the various taxing authorities at the federal, state and local levels where we do business. Legislation or regulation which could affect our tax burden could be enacted by any of these governmental authorities. For example, the TCJA includes numerous provisions that affect businesses, including changes to U.S. corporate tax rates, business-related exclusions, deductions and credits. The outcome of regulatory proceedings regarding the extent to which the effect of a change in corporate tax rate will impact customers and the time period over which the impact will occur could significantly impact future earnings and cash flows. Separately, a challenge by a taxing authority, changes in taxing authorities'

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ITEM 1A. RISK FACTORS

NISOURCE INC.

administrative interpretations, decisions, policies and positions, our ability to utilize tax benefits such as carryforwards or tax credits, or a deviation from other tax-related assumptions may cause actual financial results to deviate from previous estimates.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

NISOURCE INC.

None.

ITEM 2. PROPERTIES

Discussed below are the principal properties held by us and our subsidiaries as of December 31, 2020.

Gas Distribution Operations

Refer to Item 1, "Business - Gas Distribution Operations" of this report for further information on Gas Distribution Operations properties.

Electric Operations

Refer to Item 1, "Business - Electric Operations" of this report for further information on Electric Operations properties.

Corporate and Other Operations

We own the Southlake Complex, our 325,000 square foot headquarters building located in Merrillville, Indiana.

Character of Ownership

Our principal properties and our subsidiaries' principal properties are owned free from encumbrances, subject to minor exceptions, none of which are of such a nature as to impair substantially the usefulness of such properties. Many of our subsidiary offices in various communities served are occupied under leases. All properties are subject to routine liens for taxes, assessments and undetermined charges (if any) incidental to construction. It is our practice to regularly pay such amounts, as and when due, unless contested in good faith. In general, the electric lines, gas pipelines and related facilities are located on land not owned by us or our subsidiaries, but are covered by necessary consents of various governmental authorities or by appropriate rights obtained from owners of private property. We do not, however, generally have specific easements from the owners of the property adjacent to public highways over, upon or under which our electric lines and gas distribution pipelines are located. At the time each of the principal properties were purchased, a title search was made. In general, no examination of titles as to rights-of-way for electric lines, gas pipelines or related facilities was made, other than examination, in certain cases, to verify the grantors' ownership and the lien status thereof.

ITEM 3. LEGAL PROCEEDINGS

For a description of our legal proceedings, see Note 20-C "Legal Proceedings" in the Notes to Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

SUPPLEMENTAL ITEM. INFORMATION ABOUT OUR EXECUTIVE OFFICERS

NISOURCE INC.

The following is a list of our executive officers, including their names, ages, offices held and other recent business experience.

Name	Age	Office(s) Held in Past 5 Years
Joseph Hamrock	57	President and Chief Executive Officer of NiSource since July 2015.
Donald E. Brown	49	Executive Vice President, Chief Financial Officer and President, NiSource Corporate Services. Executive Vice President of NiSource since May 2015. Chief Financial Officer of NiSource since July 2015. President, NiSource Corporate Services since June 2020. Treasurer of NiSource from July 2015 to June 2016.
Anne-Marie W. D'Angelo	44	Executive Vice President, General Counsel and Corporate Secretary. Executive Vice President of NiSource since January 2021. Corporate Secretary and General Counsel of NiSource since September 2019. Senior Vice President of NiSource from September 2019 to January 2021. General Counsel of Global Brass & Copper Inc. from May 2017 to August 2019. Assistant General Counsel of McDonald's USA from January 2015 to May 2017.
Shawn Anderson	39	Senior Vice President and Chief Strategy and Risk Officer of NiSource since June 2020. Vice President, Strategy of NiSource from January 2019 to May 2020. Vice President of NiSource from May 2018 to December 2018. Treasurer and Chief Risk Officer of NiSource from June 2016 to May 2020. Vice President, Regulatory Affairs and Financial of Columbia of Ohio from July 2015 to June 2016.
Charles E. Shafer, II	51	Senior Vice President and Chief Safety Officer of NiSource since October 2019. Senior Vice President, Gas Engineering and Gas Support Services of NiSource Corporate Services Company from January 2019 to September 2019. Senior Vice President, Customer Services and New Business of NiSource Corporate Services Company from May 2016 through December 2018. Vice President, Engineering and Construction of NiSource Corporate Services Company from June 2012 to May 2016.
Violet G. Sistovaris	59	Executive Vice President and Chief Experience Officer. Executive Vice President of NiSource since July 2015. Chief Experience Officer of NiSource since June 2020. President, NIPSCO of NiSource from July 2015 to May 2020.
Pablo A. Vegas	47	Executive Vice President, Chief Operating Officer and President, NiSource Utilities. Executive Vice President of NiSource since May 2016. Chief Operating Officer and President, NiSource Utilities of NiSource since June 2020. President, Gas Utilities of NiSource from January 2019 to May 2020. Chief Restoration Officer of NiSource from September 2018 to December 2018. Executive Vice President, Gas Business Segment and Chief Customer Officer of NiSource from May 2017 to September 2018. President, Columbia Gas Group, of NiSource from May 2016 to May 2017. President and Chief Operating Officer of American Electric Power Company of Ohio from May 2012 to May 2016.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

NISOURCE INC.

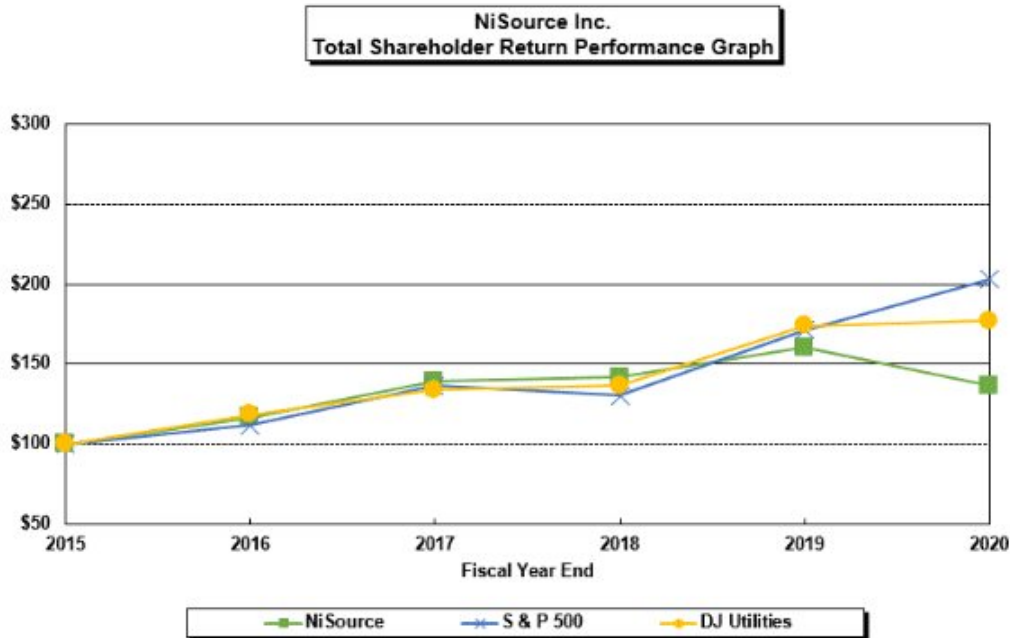
NiSource’s common stock is listed and traded on the New York Stock Exchange under the symbol “NI.”

Holders of shares of NiSource’s common stock are entitled to receive dividends if and when declared by NiSource’s Board out of funds legally available, subject to the prior dividend rights of holders of our preferred stock or the depositary shares representing such preferred stock outstanding, and if full dividends have not been declared and paid on all outstanding shares of preferred stock in any dividend period, no dividend may be declared or paid or set aside for payment on our common stock. The policy of the Board has been to declare cash dividends on a quarterly basis payable on or about the 20th day of February, May, August, and November. At its January 27, 2021 meeting, the Board declared a quarterly common dividend of \$0.22 per share, payable on February 19, 2021 to holders of record on February 9, 2021.

Although the Board currently intends to continue the payment of regular quarterly cash dividends on common shares, the timing and amount of future dividends will depend on the earnings of NiSource’s subsidiaries, their financial condition, cash requirements, regulatory restrictions, any restrictions in financing agreements and other factors deemed relevant by the Board. There can be no assurance that NiSource will continue to pay such dividends or the amount of such dividends.

As of February 9, 2021, NiSource had 18,211 common stockholders of record and 391,859,711 shares outstanding.

The graph below compares the cumulative total shareholder return of NiSource’s common stock for the last five years with the cumulative total return for the same period of the S&P 500 and the Dow Jones Utility indices.



The foregoing performance graph is being furnished as part of this annual report solely in accordance with the requirement under Rule 14a-3(b)(9) to furnish stockholders with such information, and therefore, shall not be deemed to be filed or incorporated by reference into any filings by NiSource under the Securities Act or the Exchange Act.

The total shareholder return for NiSource common stock and the two indices is calculated from an assumed initial investment of \$100 and assumes dividend reinvestment.

Purchases of Equity Securities by Issuer and Affiliated Purchasers. For the three months ended December 31, 2020, no equity securities that are registered by NiSource Inc. pursuant to Section 12 of the Securities Exchange Act of 1934 were purchased by or on behalf of us or any of our affiliated purchasers.

ITEM 6. SELECTED FINANCIAL DATA

NISOURCE INC.

None.

On November 19, 2020, the SEC issued amendments to streamline and enhance certain financial disclosure requirements in Regulation S-K. These changes are effective for annual filings for the first fiscal year ending on or after August 9, 2021. Early adoption is permitted for companies after February 10, 2021, and companies are permitted to selectively early adopt the provisions of the final rules, provided an amended item is adopted in its entirety. We early adopted the amendments to Item 301 in their entirety, which removed the requirement to furnish selected financial data for each of the last five fiscal years.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NISOURCE INC.

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EXECUTIVE SUMMARY

This Management's Discussion and Analysis of Financial Condition and Results of Operations (Management's Discussion) analyzes our financial condition, results of operations and cash flows and those of our subsidiaries. It also includes management's analysis of past financial results and certain potential factors that may affect future results, potential future risks and approaches that may be used to manage those risks. See "Note regarding forward-looking statements" at the beginning of this report for a list of factors that may cause results to differ materially.

Management's Discussion is designed to provide an understanding of our operations and financial performance and should be read in conjunction with our Consolidated Financial Statements and related Notes to Consolidated Financial Statements in this annual report.

We are an energy holding company under the Public Utility Holding Company Act of 2005 whose subsidiaries are fully regulated natural gas and electric utility companies serving customers in six states. We generate substantially all of our operating income through these rate-regulated businesses, which are summarized for financial reporting purposes into two primary reportable segments: Gas Distribution Operations and Electric Operations.

Refer to the "Business" section under Item 1 of this annual report and Note 24, "Segments of Business," in the Notes to Consolidated Financial Statements for further discussion of our regulated utility business segments.

Our goal is to develop strategies that benefit all stakeholders as we (i) address changing customer conservation patterns, (ii) develop more contemporary pricing structures, and (iii) embark on long-term infrastructure investment and safety programs. These strategies focus on improving reliability and safety, enhancing customer service, lowering customer bills and reducing emissions while generating sustainable returns. Additionally, we continue to pursue regulatory and legislative initiatives that will allow residential customers not currently on our system to obtain gas service in a cost effective manner. Refer also to the *Electric Supply* section of our Electric Operations Segment discussion for additional information on our long term electric generation strategy.

Columbia of Massachusetts Asset Sale: On February 26, 2020, NiSource and Columbia of Massachusetts entered into an Asset Purchase Agreement with Eversource (the "Asset Purchase Agreement"). Upon the terms and subject to the conditions set forth in the Asset Purchase Agreement, we sold the Massachusetts Business to Eversource for net proceeds of approximately \$1,113 million in cash, subject to adjustment for the final working capital amount. The sale was approved by the Massachusetts DPU on October 7, 2020, and closed on October 9, 2020. As a result of the sale, we have transitioned to executing a TSA with Eversource. See Note 1, "Nature of Operations and Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements for additional information.

Your Energy, Your Future: Our plan to replace 80% of our coal generation capacity by the end of 2023 and all of our coal generation by the end of 2028 with primarily renewable resources is well underway. In October 2020, we executed three BTAs for 900 MW solar nameplate capacity and 135 MW of storage capacity. In December 2020, the formation of the Rosewater Wind Generation joint venture, one of our previously executed BTAs, was completed, and has begun operation. We executed in December 2020 a PPA for an additional 280 MW of solar nameplate capacity. These projects were selected following a comprehensive review of bids submitted through the RFP process that NIPSCO underwent in late 2019. The projects complement previously executed BTAs and PPAs with a combined nameplate capacity of 400 MW and 1,300 MW, respectively. For additional information, see Note 4 "Variable Interest Entities" and "Results and Discussion of Segment Operation - Electric Operations," in this Management's Discussion.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

NiSource Next: We have launched a comprehensive, multi-year program designed to deliver long-term safety, sustainable capability enhancements and cost optimization improvements. This program will advance the high priority we place on safety and risk mitigation, further enable our safety management system ("SMS"), and enhance the customer experience. NiSource Next is designed to (i) leverage our current scale, (ii) utilize technology, (iii) define clear roles and accountability with our leaders and employees, and (iv) standardize our processes to focus on operational rigor, quality management and continuous improvement. An initial step in this program was the voluntary separation program announced in August 2020, with an expected total severance expense of approximately \$38.0 million. The majority of these separation costs will be expensed in 2020 and approximately \$21.2 million has been paid as of December 31, 2020. The NiSource Next initiative, along with the sale of the Massachusetts Business, is projected to achieve a reduction in ongoing operation and maintenance costs by approximately 8% in 2021 compared to 2020. For additional information, see Note 20-E, "Other Matters," in the Notes to Consolidated Financial Statements.

COVID-19: The safety of our employees and customers, while providing essential services during the COVID-19 pandemic, continues to be a key area of focus. Since March 2020, we have taken a proactive, coordinated approach intended to prevent, mitigate and respond to the pandemic, by utilizing our Incident Command System (ICS). The ICS includes members of our executive leadership team, a medical review professional, and members of functional teams from across our company. The ICS monitors state-by-state conditions and determines steps to conduct our operations safely for employees and customers.

We have implemented procedures designed to protect our employees who work in the field and who continue to work in operational and corporate facilities, including social distancing, wearing face coverings, temperature checks and more frequent cleaning of equipment and facilities. We have also implemented work-from-home policies and practices. We have minimized non-essential work that requires an employee to enter a customer premise and limited company vehicle occupancy to one person, where possible. We continue to employ physical and cybersecurity measures to ensure that our operational and support systems remain functional. Our actions to date have mitigated the spread of COVID-19 amongst our employees and principal field contractors. We will continue to follow CDC guidance and implement safety measures intended to ensure employee and customer safety during this pandemic. We are following all federal, state and local guidelines related to the COVID-19 vaccinations and will encourage employees to receive the vaccine when it is available to them.

Since the beginning of the pandemic, we have been helping our customers navigate this challenging time. We suspended disconnections soon after this outbreak began. As of December 2020, suspension of disconnections has been lifted in some, but not all, of our jurisdictions. We plan to continue our payment assistance programs across all of our operating territory to help customers deal with the impact of the pandemic. Additionally, we continue to have dialogue with the state regulatory commissions for each of our operating companies regarding the pandemic. Regulatory deferrals for certain costs have been allowed by all of our state regulatory commissions. Costs approved for deferral vary by state. For information on the state specific suspension of disconnections and COVID-19 regulatory filings, see Note 9, "Regulatory Matters," in the Notes to Consolidated Financial Statements. The CARES Act was enacted on March 27, 2020 and provides monetary-relief and financial aid to individuals, business, nonprofits, states and municipalities. The Coronavirus Relief Act was enacted on December 27, 2020 and extended or supplemented many of the programs from the CARES act. We are continuing to promote multiple resources available to customers including benefits from the CARES Act, such as additional funding for both the Low-Income Home Energy Assistance Program and the Community Services Block Grant to help support income-qualified customers. We are sharing energy efficiency tips to help customers save energy at home and promoting our budget plan program, which allows customers to pay about the same amount each month.

We have experienced lower revenue, higher expenses for personal protective equipment and supplies, and higher bad debt expense as a consequence of the pandemic, which has negatively impacted our results of operations through December 31, 2020. Refer to "Results and Discussion of Segment Operation" in this Management's Discussion for additional segment specific information. We did experience lower cash flows from operations for the year ended December 31, 2020 in comparison to the same period in 2019 due, in part, to slower collections of customer accounts receivable; however, we believe we have sufficient liquidity as a result of the issuance of \$1.0 billion notes in April 2020, the remaining cash proceeds received from the sale of the Massachusetts Business in October 2020, the available capacity under our short-term revolving credit facility and accounts receivable securitization facilities, and our anticipated ability to access capital markets. Additionally, in the second quarter of 2020 we reduced our planned 2020 capital investments by \$145 million. We did not make any other material changes to our capital construction programs or our renewable generation projects. While we have not experienced any significant issues in our supply chain, we are actively managing the materials, supplies, and contract services for our generation, transmission, distribution, and customer services functions.

Refer to Part I. Item 1A. "Risk Factors" for additional information related to the ongoing impact of the pandemic.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Greater Lawrence Incident: For the year ended December 31, 2020, we have incurred \$17 million of third-party claims and other incident-related costs associated with the Greater Lawrence Incident. For additional information, see Note 20-C, "Legal Proceedings" and Note 20-E "Other Matters," in the Notes to Consolidated Financial Statements.

We invested approximately \$258 million of capital spend for specific pipeline replacement work that was completed in 2019. We maintain property insurance for gas pipelines and other applicable property. In 2019, Columbia of Massachusetts filed a proof of loss with its property insurer for this pipeline replacement work. In January 2020, we filed a lawsuit against the property insurer, seeking payment of our property claim. We are currently unable to predict the timing or amount of any insurance recovery under the property policy. See Note 1, "Nature of Operations and Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements for additional information.

Refer to Note 20-C. "Legal Proceedings" and Note 20-E "Other Matters," in the Notes to Consolidated Financial Statements, "Summary of Consolidated Financial Results," "Results and Discussion of Segment Operation - Gas Distribution Operations," and "Liquidity and Capital Resources" in this Management's Discussion for additional information related to the Greater Lawrence Incident.

Summary of Consolidated Financial Results

A summary of our consolidated financial results for the years ended December 31, 2020, 2019 and 2018, are presented below:

Year Ended December 31, (in millions, except per share amounts)	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Operating Revenues	\$ 4,681.7	\$ 5,208.9	\$ 5,114.5	\$ (527.2)	\$ 94.4
Operating Expenses					
Cost of energy	1,109.3	1,534.8	1,761.3	(425.5)	(226.5)
Other Operating Expenses	3,021.6	2,783.4	3,228.5	238.2	(445.1)
Total Operating Expenses	4,130.9	4,318.2	4,989.8	(187.3)	(671.6)
Operating Income	550.8	890.7	124.7	(339.9)	766.0
Total Other Deductions, Net	(582.1)	(384.1)	(355.3)	(198.0)	(28.8)
Income Taxes	(17.1)	123.5	(180.0)	(140.6)	303.5
Net Income (Loss)	(14.2)	383.1	(50.6)	(397.3)	433.7
Net income attributable to noncontrolling interest	3.4	—	—	3.4	—
Net Income (Loss) attributable to NiSource	(17.6)	383.1	(50.6)	(400.7)	433.7
Preferred dividends	(55.1)	(55.1)	(15.0)	—	(40.1)
Net Income (Loss) Available to Common Shareholders	(72.7)	328.0	(65.6)	(400.7)	393.6
Basic Earnings (Loss) Per Share	\$ (0.19)	\$ 0.88	\$ (0.18)	\$ (1.07)	\$ 1.06
Basic Average Common Shares Outstanding	384.3	374.6	356.5	9.7	18.1

The majority of the costs of energy in both segments are tracked costs that are passed through directly to the customer, resulting in an equal and offsetting amount reflected in operating revenues.

On a consolidated basis, we reported a net loss available to common shareholders of \$72.7 million or \$0.19 per basic share for the twelve months ended December 31, 2020 compared to income to common shareholders of \$328.0 million or \$0.88 per basic share for the same period in 2019. Additionally, we reported operating income of \$550.8 million for the twelve months ended December 31, 2020 compared to \$890.7 million for the same period in 2019. The decrease in both net income available to common shareholders and operating income during 2020 was primarily due to lower operating revenue related to the sale of the Massachusetts Business, as well as higher operating expenses due to insurance recoveries recorded in 2019, net of third-party claims and other costs, related to the Greater Lawrence Incident. Additionally, the decrease to net income available to common shareholders was also impacted by the loss on early extinguishment of debt in 2020 as well as partially offset by a change from income tax expense in 2019 to an income tax benefit in 2020.

Other Deductions, Net

Other deductions, net reduced income by \$582.1 million in 2020 compared to a reduction in income of \$384.1 million in 2019. This change is primarily due to the loss on early extinguishment of debt in 2020.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Income Taxes

The decrease in income tax expense from 2019 to 2020 is primarily attributable to lower pre-tax income, resulting from the items discussed above in "Operating Income" and "Other Deductions, Net," state jurisdictional mix of pre-tax loss in 2020 tax effected at statutory tax rates and increased amortization of excess deferred federal income taxes in 2020 compared to 2019. These items are offset by increased deferred tax expense recognized on the sale of the Columbia of Massachusetts' regulatory liability, established due to TCJA in 2017, that would have otherwise been recognized over the amortization period, non-cash impairment of goodwill related to Columbia of Massachusetts in 2019 (see Note 7, "Goodwill and Other Intangible Assets" for additional information) and one-time adjustments to deferred tax balances.

Refer to Note 11, "Income Taxes," in the Notes to Consolidated Financial Statements for additional information on income taxes and the change in the effective tax rate.

RESULTS AND DISCUSSION OF OPERATIONS

Presentation of Segment Information

Our operations are divided into two primary reportable segments: Gas Distribution Operations and Electric Operations. The remainder of our operations, which are not significant enough on a stand-alone basis to warrant treatment as an operating segment, are presented as "Corporate and Other" within the Notes to the Consolidated Financial Statements and primarily are comprised of interest expense on holding company debt, and unallocated corporate costs and activities.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

**NISOURCE INC.
Gas Distribution Operations**

Financial and operational data for the Gas Distribution Operations segment for the years ended December 31, 2020, 2019 and 2018, are presented below:

Year Ended December 31, <i>(in millions)</i>	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Operating Revenues	\$ 3,140.1	\$ 3,522.8	\$ 3,419.5	\$ (382.7)	\$ 103.3
Operating Expenses					
Cost of energy	794.2	1,067.6	1,259.3	(273.4)	(191.7)
Operation and maintenance	1,138.0	935.7	1,908.1	202.3	(972.4)
Depreciation and amortization	363.1	403.2	301.0	(40.1)	102.2
Impairment of intangible assets	—	209.7	—	(209.7)	209.7
Loss on sale of fixed assets and impairments, net	412.4	0.1	0.2	412.3	(0.1)
Other taxes	233.3	231.1	205.0	2.2	26.1
Total Operating Expenses	2,941.0	2,847.4	3,673.6	93.6	(826.2)
Operating Income (Loss)	\$ 199.1	\$ 675.4	\$ (254.1)	\$ (476.3)	\$ 929.5
Revenues					
Residential	\$ 2,110.6	\$ 2,317.2	\$ 2,248.3	\$ (206.6)	\$ 68.9
Commercial	679.7	775.1	753.7	(95.4)	21.4
Industrial	213.8	245.8	228.6	(32.0)	17.2
Off-System	41.0	77.7	92.4	(36.7)	(14.7)
Other	95.0	107.0	96.5	(12.0)	10.5
Total	\$ 3,140.1	\$ 3,522.8	\$ 3,419.5	\$ (382.7)	\$ 103.3
Sales and Transportation (MMDth)					
Residential	249.5	274.9	280.3	(25.4)	(5.4)
Commercial	170.5	189.6	187.6	(19.1)	2.0
Industrial	538.1	542.5	555.7	(4.4)	(13.2)
Off-System	23.3	32.9	30.0	(9.6)	2.9
Other	0.3	0.3	—	—	0.3
Total	981.7	1,040.2	1,053.6	(58.5)	(13.4)
Heating Degree Days	5,097	5,375	5,562	(278)	(187)
Normal Heating Degree Days	5,485	5,452	5,610	33	(158)
% Warmer than Normal	(7)%	(1)%	(2)%		
Gas Distribution Customers					
Residential	2,954,478	3,221,178	3,194,662	(266,700)	26,516
Commercial	253,184	282,778	281,517	(29,594)	1,261
Industrial	4,968	5,982	5,833	(1,014)	149
Other	3	3	3	—	—
Total	3,212,633	3,509,941	3,482,015	(297,308)	27,926

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Gas Distribution Operations (continued)

Cost of energy for the Gas Distribution Operations segment is principally comprised of the cost of natural gas used while providing transportation and distribution services to customers. These are tracked costs that are passed through directly to the customer resulting in an equal and offsetting amount reflected in operating revenue. In addition, comparability of operation and maintenance expenses, depreciation and amortization, and other taxes may be impacted by regulatory, depreciation and tax trackers that allow for the recovery in rates of certain costs. Therefore, increases in these tracked operating expenses are offset by increases in operating revenues and have essentially no impact on net income.

2020 vs. 2019 Operating Income

For 2020, Gas Distribution Operations reported operating income of \$199.1 million, a decrease of \$476.3 million from the comparable 2019 period.

Operating revenues for 2020 were \$3,140.1 million, a decrease of \$382.7 million from the same period in 2019. The change in operating revenues was primarily driven by:

- Lower cost of energy billed to customers, which is offset in operating expense, of \$273.4 million.
- Lower revenues due to the sale of the Massachusetts Business of \$102.2 million.
- Lower revenues from the effects of warmer weather in 2020 of \$47.9 million.
- Lower regulatory, depreciation, and tax trackers, which are offset in operating expense, of \$20.7 million.
- The effects of decreased commercial and industrial usage and decreased late and disconnection fees, both primarily related to the COVID-19 pandemic, of \$11.3 million.

Partially offset by:

- New rates from base rate proceedings, infrastructure replacement programs and Columbia of Ohio's CEP of \$57.1 million.
- The effects of increased residential usage primarily related to the pandemic of \$5.0 million.

Operating expenses were \$93.6 million higher in 2020 compared to 2019. This change was primarily driven by:

- Loss on sale of the Massachusetts Business of \$412.4 million.
- Insurance recoveries recorded in 2019, net of third party claims and other costs, related to the Greater Lawrence Incident of \$243.2 million.
- Severance and outside services expense related to NiSource Next initiative of \$32.4 million.
- Increased expenses primarily due to the impact of the pandemic related to materials and supplies, outside services, and uncollectible expenses of \$23.8 million, offset by \$12.0 million of deferral of uncollectible and other expenses, net of benefits, related to the pandemic.
- Higher depreciation and amortization and property tax expense primarily due to higher capital expenditures placed in service of \$24.3 million

Partially offset by:

- Lower cost of energy billed to customers, which is offset in operating revenue, of \$273.4.
- Non-cash impairment of the Columbia of Massachusetts franchise rights of \$209.7 million in 2019.
- Lower operation and maintenance and depreciation and amortization expenses due to the Massachusetts Business sale of \$98.7 million.
- Lower employee and administrative expense of \$28.9 million.
- Lower regulatory, depreciation, and tax trackers, which are offset in operating revenues, of \$20.7 million.

2019 vs. 2018 Operating Income

For 2019, Gas Distribution Operations reported operating income of \$675.4 million, an increase of \$929.5 million from the comparable 2018 period.

Operating revenues for 2019 were \$3,522.8 million, an increase of \$103.3 million from the same period in 2018. The change in operating revenues was primarily driven by:

- New rates from base rate proceedings and infrastructure replacement programs of \$243.2 million.
- Higher regulatory, depreciation and tax trackers, which are offset in operating expense, of \$36.2 million.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Gas Distribution Operations (continued)

- Higher revenues of \$14.5 million resulting from an update in the weather-related normal heating degree day methodology, partially offset by a \$7.1 million revenue decrease from the effects of warmer weather in 2019.
- The effects of commercial and residential customer growth of \$12.8 million.

Partially offset by:

- Lower cost of energy billed to customers, which is offset in operating expenses of \$191.7 million.

Operating expenses were \$826.2 million lower in 2019 compared to 2018. This change was primarily driven by:

- Decreased expenses related to third-party claims and other costs for the Greater Lawrence Incident of \$1,090.7 million, net of insurance recoveries recorded.
- Lower cost of energy billed to customers, which is offset in operating revenues of \$191.7 million.

Partially offset by:

- Non-cash impairment of the Columbia of Massachusetts franchise rights of \$209.7 million.
- Increased depreciation of \$103.8 million due to the regulatory outcome of NIPSCO's gas rate case, an increase in amortization of depreciation previously deferred as a regulator asset resulting from Columbia of Ohio's CEP, and higher capital expenditures placed in service.
- Higher employee and administrative expenses of \$50.2 million driven by resources shifting from the temporary assistance on the Greater Lawrence Incident restoration to normal operations (offset in the decreased Greater Lawrence Incident costs discussed above) and an increase in headcount.
- Increased regulatory, depreciation and tax trackers, which are offset in operating revenues, of \$36.2 million.
- Higher property taxes of \$22.2 million primarily due to increased amortization of property taxes previously deferred as a regulatory asset resulting from Columbia of Ohio's CEP, as well as higher capital expenditures placed in service.
- Higher outside services of \$17.4 million primarily due to increased line location and safety-related work.

Weather

In general, we calculate the weather-related revenue variance based on changing customer demand driven by weather variance from normal heating degree days, net of weather normalization mechanisms. Our composite heating degree days reported do not directly correlate to the weather-related dollar impact on the results of Gas Distribution Operations. Heating degree days experienced during different times of the year or in different operating locations may have more or less impact on volume and dollars depending on when and where they occur. When the detailed results are combined for reporting, there may be weather-related dollar impacts on operations when there is not an apparent or significant change in our aggregated composite heating degree day comparison.

The definition of "normal" weather was updated during the first quarter of 2019 to reflect more current weather pattern data and to more closely align with the regulators' jurisdictional definitions of "normal" weather. Impacts of the change in methodology will be reflected prospectively and disclosed to the extent it results in notable year-over-year variances in operating revenues.

Weather in the Gas Distribution Operations service territories for 2020 was about 7% warmer than normal and about 5% warmer than 2019, leading to decreased operating revenues of \$47.9 million for the year ended December 31, 2020 compared to 2019. The majority of these amounts were driven by NIPSCO and Columbia of Pennsylvania.

Weather in the Gas Distribution Operations service territories for 2019 was about 1% warmer than normal and about 3% warmer than 2018; however, due to the aforementioned change in methodology, the change in operating revenues attributed to weather resulted in an increase of \$7.4 million for the year ended December 31, 2019 compared to 2018. The variance is detailed further below:

- An update in the weather-related normal heating degree day methodology resulting in a favorable variance attributed to weather of \$14.5 million, as discussed above.

Offset by:

- The effects of warmer weather in 2019 of \$7.1 million.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Gas Distribution Operations (continued)

Throughput

Total volumes sold and transported for the year ended December 31, 2020 were 981.7 MMDth, compared to 1,040.2 MMDth for 2019. This decrease is primarily attributable to warmer weather experienced in 2020 compared to 2019, the sale of the Massachusetts Business and decreased usage by commercial and industrial customers primarily due to the pandemic.

Total volumes sold and transported for the year ended December 31, 2019 were 1,040.2 MMDth, compared to 1,053.6 MMDth for 2018. This decrease is primarily attributable to warmer weather experienced in 2019 compared to 2018.

Commodity Price Impact

All of our Gas Distribution Operations companies have state-approved recovery mechanisms that provide a means for full recovery of prudently incurred gas costs. Gas costs are treated as pass-through costs and have no impact on the operating income recorded in the period. The gas costs included in revenues are matched with the gas cost expense recorded in the period and the difference is recorded on the Consolidated Balance Sheets as under-recovered or over-recovered gas cost to be included in future customer billings.

Certain Gas Distribution Operations companies continue to offer choice opportunities, where customers can choose to purchase gas from a third-party supplier, through regulatory initiatives in their respective jurisdictions. These programs serve to further reduce our exposure to gas prices.

Greater Lawrence Incident

Refer to Note 20-C. "Legal Proceedings," and Note 20-E. "Other Matters," in the Notes to Consolidated Financial Statements, "Summary of Consolidated Financial Results" and "Liquidity and Capital Resources" in this Management's Discussion, and Part I. Item 1A. "Risk Factors" for additional information related to the Greater Lawrence Incident.

Columbia of Massachusetts Asset Sale

On February 26, 2020, we entered into the Asset Purchase Agreement with Eversource providing for the sale of the Massachusetts Business to Eversource, subject to the terms and conditions set forth in the agreement. This sale was completed on October 9, 2020. For additional information, see Note 1, "Nature of Operations and Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.
Electric Operations

Financial and operational data for the Electric Operations segment for the years ended December 31, 2020, 2019 and 2018, are presented below:

Year Ended December 31, (in millions)	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Operating Revenues	\$ 1,536.6	\$ 1,699.2	\$ 1,708.2	\$ (162.6)	\$ (9.0)
Operating Expenses					
Cost of energy	315.2	467.3	502.1	(152.1)	(34.8)
Operation and maintenance	497.6	495.0	500.0	2.6	(5.0)
Depreciation and amortization	321.3	277.3	262.9	44.0	14.4
Gain on sale of fixed assets and impairments, net	—	(0.1)	—	0.1	(0.1)
Other taxes	53.7	52.9	57.1	0.8	(4.2)
Total Operating Expenses	1,187.8	1,292.4	1,322.1	(104.6)	(29.7)
Operating Income	\$ 348.8	\$ 406.8	\$ 386.1	\$ (58.0)	\$ 20.7
Revenues					
Residential	\$ 527.8	\$ 481.6	\$ 494.7	\$ 46.2	\$ (13.1)
Commercial	480.3	486.7	492.6	(6.4)	(5.9)
Industrial	412.9	608.4	614.4	(195.5)	(6.0)
Wholesale	12.3	11.7	15.7	0.6	(4.0)
Other	103.3	110.8	90.8	(7.5)	20.0
Total	\$ 1,536.6	\$ 1,699.2	\$ 1,708.2	\$ (162.6)	\$ (9.0)
Sales (Gigawatt Hours)					
Residential	3,484.0	3,369.5	3,535.2	114.5	(165.7)
Commercial	3,550.0	3,760.3	3,844.6	(210.3)	(84.3)
Industrial	7,480.3	8,466.1	8,829.5	(985.8)	(363.4)
Wholesale	83.6	8.2	114.3	75.4	(106.1)
Other	106.0	117.2	124.4	(11.2)	(7.2)
Total	14,703.9	15,721.3	16,448.0	(1,017.4)	(726.7)
Cooling Degree Days	900	962	1,180	(62)	(218)
Normal Cooling Degree Days	803	803	806	—	(3)
% Warmer than Normal	12 %	20 %	46 %		
Electric Customers					
Residential	418,871	415,534	412,267	3,337	3,267
Commercial	57,435	57,058	56,605	377	453
Industrial	2,154	2,256	2,284	(102)	(28)
Wholesale	722	726	735	(4)	(9)
Other	2	2	2	—	—
Total	479,184	475,576	471,893	3,608	3,683

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Electric Operations (continued)

Cost of energy for the Electric Operations segment is principally comprised of the cost of coal, related handling costs, natural gas purchased for internal generation of electricity at NIPSCO, and the cost of power purchased from third-party generators of electricity. The majority of these are tracked costs that are passed through directly to the customer resulting in an equal and offsetting amount reflected in operating revenue. In addition, comparability of operation and maintenance expenses and depreciation and amortization may be impacted by regulatory and depreciation trackers that allow for the recovery in rates of certain costs. Therefore, increases in these tracked operating expenses are offset by increases in operating revenues and have essentially no impact on net income.

2020 vs. 2019 Operating Income

For 2020, Electric Operations reported operating income of \$348.8 million, a decrease of \$58.0 million from the comparable 2019 period.

Operating revenues for 2020 were \$1,536.6 million, an decrease of \$162.6 million from the same period in 2019. The change in operating revenues was primarily driven by:

- Lower cost of energy billed to customers, which is offset in operating expense, of \$152.1 million.
- Lower regulatory and depreciation trackers, which are offset in operating expense, of \$25.2 million.
- The effects of decreased commercial and industrial usage and decreased late and disconnection fees, both primarily related to the COVID-19 pandemic, of \$24.9 million.

Partially offset by:

- Higher revenue from recent base rate proceedings of \$22.5 million.
- The effects of increased residential usage primarily related to the pandemic of \$13.5 million.
- The effects of customer growth of \$4.0 million.

Operating expenses were \$104.6 million lower in 2020 than 2019. This change was primarily driven by:

- Lower cost of energy billed to customers, which is offset in operating revenue, of \$152.1 million.
- Lower regulatory and depreciation trackers, which are offset in operating revenues, of \$25.2 million.
- Lower outside services costs of \$16.0 million primarily related to lower generation-related maintenance.
- Lower employee and administrative costs of \$8.1 million.

Partially offset by:

- Increased depreciation of \$61.6 million primarily due to additional plant placed in service.
- Severance and outside services expenses related to the NiSource Next initiative of \$13.0 million.
- Increased expenses primarily due to the impact of pandemic-related materials and supplies, outside services, uncollectible and sequestration expenses of \$10.7 million, offset by a \$5.3 million deferral of uncollectible and other expenses, related to the pandemic.
- Increased materials and supplies costs of \$4.7 million
- Higher insurance expense of \$2.7 million primarily driven by increased premiums.
- Increased environmental costs of \$1.3 million.

2019 vs. 2018 Operating Income

For 2019, Electric Operations reported operating income of \$406.8 million, an increase of \$20.7 million from the comparable 2018 period.

Operating revenues for 2019 were \$1,699.2 million, a decrease of \$9.0 million from the same period in 2018. The change in operating revenues was primarily driven by:

- Lower cost of energy billed to customers, which is offset in operating expense, of \$34.8 million.
- Lower revenues from the effects of cooler weather of \$15.1 million.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Electric Operations (continued)

- Decreased residential, commercial and industrial usage of \$10.8 million.

Partially offset by:

- New rates from the recent rate case proceeding, incremental capital spend on infrastructure replacement programs, and electric transmission projects of \$24.8 million.
- Decreased fuel handling costs of \$11.0 million.
- Higher regulatory and depreciation trackers, which are offset in operating expense, of \$8.4 million.
- Increased commercial and residential customer growth of \$3.9 million.

Operating expenses were \$29.7 million lower in 2019 than 2018. This change was primarily driven by:

- Lower cost of energy billed to customers, which is offset in operating revenue, of \$34.8 million.
- Decreased materials and supplies costs of \$7.8 million, primarily related to the retirement of Bailly Generating Station Units 7 and 8 on May 31, 2018.
- Decreased employee and administrative costs of \$5.0 million.

Partially offset by:

- Higher regulatory and depreciation trackers, which are offset in operating revenues, of \$8.4 million.
- Increased depreciation of \$8.7 million due to higher capital expenditures placed in service.

Weather

In general, we calculate the weather-related revenue variance based on changing customer demand driven by weather variance from normal heating or cooling degree days. Our composite heating or cooling degree days reported do not directly correlate to the weather-related dollar impact on the results of Electric Operations. Heating or cooling degree days experienced during different times of the year may have more or less impact on volume and dollars depending on when they occur. When the detailed results are combined for reporting, there may be weather-related dollar impacts on operations when there is not an apparent or significant change in our aggregated composite heating or cooling degree day comparison.

The definition of "normal" weather was updated during the first quarter of 2019 to reflect more current weather pattern data and to more closely align with the regulators' jurisdictional definitions of "normal" weather. Impacts of the change in methodology will be reflected prospectively and disclosed to the extent it results in notable year-over-year variances in operating revenues.

Weather in the Electric Operations' territories for 2020 was 12% warmer than normal and 6% cooler than the same period in 2019, which had an immaterial impact on operating revenues for the year ended December 31, 2020 compared to 2019.

Weather in the Electric Operations' territories for 2019 was 20% warmer than normal and 18% cooler than the same period in 2018, decreasing operating revenues \$15.1 million for the year ended December 31, 2019 compared to 2018.

Sales

Electric Operations sales were 14,703.9 GWh for 2020, a decrease of 1,017.4 GWh, or 6.5% compared to 2019. This decrease was primarily attributable to decreased usage by industrial and commercial customers due to the pandemic and higher self-generation by industrial customers, partially offset by increased usage by residential customers primarily due to the pandemic.

Electric Operations sales were 15,721.3 GWh for 2019, a decrease of 726.7 GWh, or 4.4% compared to 2018. This decrease was primarily attributable to higher internal generation from large industrial customers in 2019 and the effects of cooler weather on residential and commercial customers.

Commodity Price Impact

NIPSCO has a state-approved recovery mechanism that provides a means for full recovery of prudently incurred fuel costs. Fuel costs are treated as pass-through costs and have no impact on the operating revenues recorded in the period. The fuel costs included in revenues are matched with the fuel cost expense recorded in the period and the difference is recorded on the Consolidated Balance Sheets as under-recovered or over-recovered fuel cost to be included in future customer billings.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

**NISOURCE INC.
Electric Operations (continued)**

NIPSCO's performance remains closely linked to the performance of the steel industry. NIPSCO's MWh sales to steel-related industries accounted for approximately 45.9% and 51.5% of the total industrial MWh sales for the years ended December 31, 2020 and 2019, respectively.

Electric Supply

NIPSCO 2018 Integrated Resource Plan. NIPSCO concluded in its October 2018 Integrated Resource Plan submission that NIPSCO's current fleet of coal generation facilities will be retired earlier than previous Integrated Resource Plan's had indicated. The Integrated Resource Plan evaluated demand-side and supply-side resource alternatives to reliably and cost effectively meet NIPSCO customers' future energy requirements over the ensuing 20 years. The preferred option within the Integrated Resource Plan retires the R.M. Schahfer Generating Station by mid-2023 and the Michigan City Generating Station by the end of 2028. These stations represent 2,080 MW of generating capacity, equal to 72% of NIPSCO's remaining capacity and 100% of NIPSCO's remaining coal-fired generating capacity. In the second quarter of 2020, the MISO approved NIPSCO's plan to retire the R.M. Schahfer Generating Station in 2023. The planned replacement by the end of 2023 of approximately 1,400 MW of retiring coal-fired generation station could provide incremental capital investment opportunities of approximately \$1.8 to \$2.0 billion, primarily in 2022 and 2023. Refer to Note 6, "Property, Plant and Equipment" and Note 20-E, "Other Matters," in the Notes to Consolidated Financial Statements for further information. In February 2021, NIPSCO decided to submit modified Attachment Y Notices to MISO requesting accelerated retirement of two of the four coal fired units at R.M. Schahfer Generating Station. The two units are now expected to be retired by the end of 2021, with the remaining two units still scheduled to be retired in 2023. At retirement, the net book value of the retired units will be reclassified from "Non-Utility and Other property", to current and long-term "Regulatory Assets."

The current replacement plan includes renewable sources of energy, including wind, solar, and battery storage to be obtained through a combination of NIPSCO ownership and PPAs. NIPSCO has executed several PPAs to purchase 100% of the output from renewable generation facilities at a fixed price per MWh. Each facility supplying the energy will have an associated nameplate capacity, and payments under the PPAs will not begin until the associated generation facility is constructed by the owner/seller. NIPSCO has also executed several BTAs with developers to construct renewable generation facilities. The following table summarizes the executed PPAs and BTAs that have not yet been placed into service:

Project Name	Transaction Type	Technology	Nameplate Capacity (MW)	Storage Capacity (MW)	Submitted to IURC	IURC Approval	Estimated Construction Completion
Jordan Creek	20 year PPA	Wind	400	—	02/01/2019	6/05/2019	In Service (12/10/2020)
Rosewater ⁽¹⁾	BTA	Wind	100	—	02/01/2019	8/07/2019	In Service (12/29/2020)
Indiana Crossroads ⁽²⁾	BTA	Wind	300	—	10/22/2019	2/19/2020	12/31/2021
Greensboro	20 year PPA	Solar & Storage	100	30	7/17/2020	1/27/2021	6/30/2023
Brickyard	20 year PPA	Solar	200	—	7/17/2020	1/27/2021	6/30/2023
Green River	20 year PPA	Solar	200	—	12/23/2020	Pending	6/30/2023
Cavalry ⁽²⁾	BTA	Solar & Storage	200	60	11/30/2020	Pending	12/31/2023
Dunn's Bridge I ⁽²⁾	BTA	Solar	265	—	11/30/2020	Pending	12/31/2022
Dunn's Bridge II ⁽²⁾	BTA	Solar & Storage	435	75	11/30/2020	Pending	12/31/2023
Gibson	22 year PPA	Solar	280	—	01/29/2021	Pending	12/31/2023

⁽¹⁾ Ownership of the facility was transferred to a joint venture whose members include NIPSCO and an unrelated tax equity partner.

⁽²⁾ Ownership of the facilities will be transferred to joint ventures whose members include NIPSCO and an unrelated tax equity partner.

We expect to secure additional agreements with counterparties and initiate regulatory compliance filings into 2021.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Liquidity and Capital Resources

We continually evaluate the availability of adequate financing to fund our ongoing business operations, working capital and core safety and infrastructure investment programs. Our financing is sourced through cash flow from operations and the issuance of debt and/or equity. External debt financing is provided primarily through the issuance of long-term debt, accounts receivable securitization programs and our \$1.5 billion commercial paper program, which is backstopped by our committed revolving credit facility with a total availability from third-party lenders of \$1.85 billion. The commercial paper program and credit facility provide cost-effective, short-term financing until it can be replaced with a balance of long-term debt and equity financing that achieves our desired capital structure. We have also utilized an at-the-market (ATM) equity sales program that allowed us to issue and sell shares of our common stock up to an aggregate offering price of \$434.4 million. The program expired on December 31, 2020, but we expect to issue additional equity under ATM offerings from time to time.

We believe these sources provide adequate capital to fund our operating activities and capital expenditures in 2021 and beyond.

Greater Lawrence Incident. As discussed in the "Executive Summary", Part I, Item 1A "Risk Factors," and in Note 20, "Other Commitments and Contingencies" in the Notes to Consolidated Financial Statements, due to the inherent uncertainty of litigation, there can be no assurance that the outcome or resolution of any particular claim related to the Greater Lawrence Incident will not continue to have an adverse impact on our cash flows. Through income generated from operating activities, amounts available under the short-term revolving credit facility, and our ability to access capital markets, we believe we have adequate capital available to settle remaining anticipated claims associated with the Greater Lawrence Incident. Previous costs in excess of insurance recoveries were primarily funded through short-term borrowings. The sale of the Massachusetts Business was completed on October 9, 2020. On October 14, 2020, we used a portion of the proceeds from the Massachusetts Business sale to pay down these short-term borrowings.

Operating Activities

Net cash from operating activities for the year ended December 31, 2020 was \$1,104.0 million, a decrease of \$479.3 million from 2019. This decrease was primarily driven by a year over year increase in net payments related to the Greater Lawrence Incident. During 2020, we paid approximately \$227 million compared to net receipts of \$289 million, representing insurance recoveries offset by payments, during 2019. Refer to Note 20, "Other Commitments and Contingencies" in the Notes to Consolidated Financial Statements for further information related to the Greater Lawrence Incident.

Investing Activities

Our cash used for investing activities varies year over year primarily as a result of changes in the level of annual capital expenditures. See below for further details of our capital expenditures and related regulatory programs. In 2020, our typical investing cash outflows were offset by \$1,115.9 million of proceeds from the sale of assets, driven by the sale of the Massachusetts Business. Refer to Note 1 "Nature of Operations and Summary of Significant Accounting Policies" for more information.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Capital Expenditures. The table below reflects capital expenditures and certain other investing activities by segment for 2020, 2019 and 2018.

<i>(in millions)</i>	2020	2019	2018 ⁽³⁾
Gas Distribution Operations			
System Growth and Tracker	\$ 975.7	\$ 1,006.1	\$ 897.5
Maintenance	291.2	374.3	417.8
Total Gas Distribution Operations	1,266.9	1,380.3	1,315.3
Electric Operations			
System Growth and Tracker	222.1	279.5	346.0
Maintenance	200.7	189.4	153.3
Total Electric Operations	422.8	468.9	499.3
Corporate and Other Operations - Maintenance ⁽¹⁾	31.1	18.6	—
Total⁽²⁾	\$ 1,720.8	\$ 1,867.8	\$ 1,814.6

⁽¹⁾ Corporate and Other capital expenditures were zero in 2018 as specific IT assets were leased in 2018. Certain IT and other maintenance related assets were purchased in 2019 and 2020.

⁽²⁾ Amounts differ from those presented on the Statements of Consolidated Cash Flows primarily due to the capitalized portion of the Corporate Incentive Plan payout, inclusion of capital expenditures included in current liabilities and AFUDC Equity.

⁽³⁾ The 2018 capital expenditures for Gas Distribution Operations reflects reclassifying the Greater Lawrence Incident pipeline replacement from system growth and tracker to maintenance.

For 2020, capital expenditures and certain other investing activities were \$1,720.8 million, which was \$147.0 million lower than the 2019 capital program. This decrease in spending is primarily due to the sale of the Massachusetts Business and impact of COVID 19.

For 2019, capital expenditures and certain other investing activities were \$1,867.8 million, which was \$53.2 million higher than the 2018 capital program. This increased spending is primarily due to growth, safety and system modernization projects.

For 2021, we project to invest approximately \$1.9 to \$2.1 billion in our capital program. This projected level of spend is an increase from our 2020 spend levels and supports continued investment in safety and reliability through modernizing gas and electric systems while meeting customer growth demands.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Regulatory Capital Improvement Programs. In 2020, we continued to move forward on core infrastructure and environmental investment programs supported by complementary regulatory and customer initiatives across all seven states of our operating area. The following table describes the most recent vintage of our regulatory programs to recover infrastructure replacement and other federally-mandated compliance investments currently in rates and those pending commission approval:

(in millions)

Company	Program	Incremental Revenue	Incremental Capital Investment	Investment Period	Costs Covered ⁽¹⁾	Rates Effective
Columbia of Ohio	IRP - 2020	\$ 32.9	\$ 234.4	1/19-12/19	Replacement of (1) hazardous service lines, (2) cast iron, wrought iron, uncoated steel, and bare steel pipe, (3) natural gas risers prone to failure and installation of AMR devices.	May 2020
Columbia of Ohio	CEP - 2020	\$ 18.0	\$ 185.1	1/19-12/19	Assets not included in the IRP.	September 2020
NIPSCO - Gas	TDSIC 1	\$ 0.6	\$ 26.0	1/20-6/20	New or replacement projects undertaken for the purpose of safety, reliability, system modernization or economic development.	January 2021
NIPSCO - Gas	FMCA 5	\$ 4.8	\$ 42.3	4/20-9/20	Project costs to comply with federal mandates.	April 2021
Columbia of Pennsylvania	DSIC-Q4 2020 ⁽²⁾	\$ 0.8	\$ 25.0	9/20-11/20	Eligible project costs including piping, couplings, gas service lines, excess flow valves, risers, meter bars, meters, and other related capitalized cost, to improve the distribution system.	January 2021
Columbia of Virginia	SAVE - 2021	\$ 5.2	\$ 46.4	1/21-12/21	Replacement projects that (1) enhance system safety or reliability, or (2) reduce, or potentially reduce, greenhouse gas emissions.	January 2021
Columbia of Kentucky	SMRP - 2021 ⁽³⁾	\$ 5.8	\$ 50.0	1/21-12/21	Replacement of mains and inclusion of system safety investments.	Q2 2021
Columbia of Maryland	STRIDE - 2021	\$ 1.3	\$ 16.9	1/21-12/21	Pipeline upgrades designed to improve public safety or infrastructure reliability.	January 2021
NIPSCO - Electric	TDSIC - 7 ⁽⁴⁾	\$ 11.3	\$ 122.3	7/19-7/20	New or replacement projects undertaken for the purpose of safety, reliability, system modernization or economic development.	February 2021
NIPSCO - Electric	FMCA - 13 ⁽⁵⁾⁽⁶⁾	\$ (1.2)	\$ —	9/19-2/20	Project costs to comply with federal mandates.	August 2020

⁽¹⁾Programs do not include any costs already included in base rates.

⁽²⁾Due to a cap on the revenues permitted to flow through the DSIC, Columbia Gas of Pennsylvania is only able to request recovery of a portion of the capital investment for this period.

⁽³⁾On December 17, 2020, the Kentucky PSC issued an Order suspending the rates through May 30, 2021. An Order for approval can be received from the Commission prior to this date.

⁽⁴⁾Incremental capital and revenue are net of amounts included in the step 2 rates. See Part 1, Item 1. "Business" for additional information.

⁽⁵⁾Incremental revenue is inclusive of tracker eligible operations and maintenance expense.

⁽⁶⁾No eligible capital investments were made during the investment period.

Refer to Note 9, "Regulatory Matters" and Note 20-E, "Other Matters," in the Notes to Consolidated Financial Statements for a further discussion of regulatory developments during 2020.

Financing Activities

Short-term Debt. Refer to Note 16, "Short-Term Borrowings," in the Notes to Consolidated Financial Statements for information on short-term debt.

Long-term Debt. Refer to Note 15, "Long-Term Debt," in the Notes to Consolidated Financial Statements for information on long-term debt.

Net Available Liquidity. As of December 31, 2020, an aggregate of \$1,721.6 million of net liquidity was available, including cash and credit available under the revolving credit facility and accounts receivable securitization programs.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Sources of Liquidity

The following table displays our liquidity position as of December 31, 2020 and 2019:

Year Ended December 31, (in millions)	2020	2019
Current Liquidity		
Revolving Credit Facility	\$ 1,850.0	\$ 1,850.0
Accounts Receivable Program ⁽¹⁾	273.3	353.2
<i>Less:</i>		
Commercial Paper	503.0	570.0
Accounts Receivable Programs Utilized	—	353.2
Letters of Credit Outstanding Under Credit Facility	15.2	10.2
<i>Add:</i>		
Cash and Cash Equivalents	116.5	139.3
Net Available Liquidity	\$ 1,721.6	\$ 1,409.1

⁽¹⁾Represents the lesser of the seasonal limit or maximum borrowings supportable by the underlying receivables.

Debt Covenants. We are subject to a financial covenant under our revolving credit facility, which requires us to maintain a debt to capitalization ratio that does not exceed 70%. As of December 31, 2020, the ratio was 62.5%.

Sale of Trade Accounts Receivables. Refer to Note 19, "Transfers of Financial Assets," in the Notes to Consolidated Financial Statements for information on the sale of trade accounts receivable.

Credit Ratings. The credit rating agencies periodically review our ratings, taking into account factors such as our capital structure and earnings profile. The following table includes our and certain of our subsidiaries' credit ratings and ratings outlook as of December 31, 2020. In February 2020, S&P changed our and certain of our subsidiaries' outlook from Negative to Stable. There were no other changes to the below credit ratings or outlooks since December 31, 2019.

A credit rating is not a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time by the assigning rating organization.

	S&P		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
NiSource	BBB+	Stable	Baa2	Stable	BBB	Stable
NIPSCO	BBB+	Stable	Baa1	Stable	BBB	Stable
Columbia of Massachusetts	BBB+	Stable	Baa2	Stable	Not rated	Not rated
Commercial Paper	A-2	Stable	P-2	Stable	F2	Stable

Certain of our subsidiaries have agreements that contain "ratings triggers" that require increased collateral if our credit ratings or the credit ratings of certain of our subsidiaries are below investment grade. These agreements are primarily for insurance purposes and for the physical purchase or sale of power. As of December 31, 2020, the collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately \$53.9 million. In addition to agreements with ratings triggers, there are other agreements that contain "adequate assurance" or "material adverse change" provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business.

Equity. Our authorized capital stock consists of 620,000,000 shares, \$0.01 par value, of which 600,000,000 are common stock and 20,000,000 are preferred stock. As of December 31, 2020, 391,760,051 shares of common stock and 440,000 shares of preferred stock were outstanding. For more information regarding our common and preferred stock, see Note 13, "Equity," in the Notes to Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Contractual Obligations

We have certain contractual obligations requiring payments at specified periods. The obligations include long-term debt, lease obligations, energy commodity contracts and obligations for various services including pipeline capacity and outsourcing of IT services. The total contractual obligations in existence at December 31, 2020 and their maturities were:

<i>(in millions)</i>	Total	2021	2022	2023	2024	2025	After
Long-term debt ⁽¹⁾	\$ 9,135.0	\$ —	\$ 30.0	\$ —	\$ —	\$ 1,260.0	\$ 7,845.0
Interest payments on long-term debt	6,046.3	336.3	335.7	334.1	334.1	334.1	4,372.0
Finance leases ⁽²⁾	264.7	32.7	32.2	28.8	20.8	16.1	134.1
Operating leases ⁽³⁾	48.0	11.7	5.2	4.7	4.5	3.7	18.2
Energy commodity contracts	42.1	42.1	—	—	—	—	—
Service obligations:							
Pipeline service obligations ⁽⁴⁾	1,495.6	468.7	422.5	256.0	150.5	56.2	141.7
IT service obligations	240.3	74.9	74.0	38.1	30.5	22.8	—
Other service obligations ⁽⁵⁾	12.6	12.6	—	—	—	—	—
Other liabilities ⁽⁶⁾	116.9	26.0	0.8	90.1	—	—	—
Total contractual obligations	\$ 17,401.5	\$ 1,005.0	\$ 900.4	\$ 751.8	\$ 540.4	\$ 1,692.9	\$ 12,511.0

⁽¹⁾ Long-term debt balance excludes unamortized issuance costs and discounts of \$86.9 million.

⁽²⁾ Finance lease payments shown above are inclusive of interest totaling \$69.7 million.

⁽³⁾ Operating lease payments shown above are inclusive of interest totaling \$7.8 million. Operating lease balances do not include obligations for possible fleet vehicle lease renewals beyond the initial lease term. While we have the ability to renew these leases beyond the initial term, we are not reasonably certain (as that term is defined in ASC 842) to do so as they are renewed month-to-month after the first year. If we were to continue the fleet vehicle leases outstanding at December 31, 2020, payments would be \$30.0 million in 2021, \$27.7 million in 2022, \$24.9 million in 2023, \$22.0 million in 2024, \$19.0 million in 2025 and \$21.5 million thereafter.

⁽⁴⁾ In February 2021, the demand rate increased for our pipeline service obligations, resulting in a total increase of \$638.6 million in addition to our future pipeline service obligations shown above.

⁽⁵⁾ On February 9, 2021, a rail transportation contract for the transportation of coal was fully executed between NIPSCO and a counterparty, replacing the prior agreement. The minimum coal tonnage shipment commitment for 2021 was eliminated under the new agreement, reducing our contractual obligation for 2021 by \$12.1 million.

⁽⁶⁾ Other liabilities shown above are inclusive of the Rosewater Developer payment due in 2023.

Our calculated estimated interest payments for long-term debt is based on the stated coupon and payment dates. For 2021, we project that we will be required to make interest payments of approximately \$339.4 million, which includes \$336.3 million of interest payments related to our long-term debt outstanding as of December 31, 2020. At December 31, 2020, we had \$503.0 million in short-term borrowings outstanding.

Our expected payments included within "Other liabilities" in the table of contractual commitments above contains employer contributions to pension and other postretirement benefits plans expected to be made in 2021. Plan contributions beyond 2021 are dependent upon a number of factors, including actual returns on plan assets, which cannot be reliably estimated at this time. In 2021, we expect to make contributions of approximately \$2.9 million to our pension plans and approximately \$21.8 million to our postretirement medical and life plans. Refer to Note 12, "Pension and Other Postretirement Benefits," in the Notes to Consolidated Financial Statements for more information.

We cannot reasonably estimate the settlement amounts or timing of cash flows related to long-term obligations classified as "Total Other Liabilities" on the Consolidated Balance Sheets, other than those described above.

We also have obligations associated with income, property, gross receipts, franchise, sales and use, and various other taxes and expect to make tax payments of approximately \$253.4 million in 2021, which are not included in the table above. In addition, we have uncertain income tax positions that are not included in the table above as we are unable to predict when the matters will be resolved. Refer to Note 14, "Income Taxes," in the Notes to Consolidated Financial Statements for more information.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

NIPSCO has executed several PPAs to purchase 100% of the output from renewable generation facilities at a fixed price per MWh. Each facility supplying the energy will have an associated nameplate capacity, and payments under the PPAs will not begin until the associated generation facility is constructed by the owner/seller. NIPSCO has also executed several BTAs with developers to construct renewable generation facilities. NIPSCO's purchase requirement under the BTAs is dependent on satisfactory approval of the BTA by the IURC, successful execution of an agreement with a tax equity partner and timely completion of construction. NIPSCO and the tax equity partner are obligated to make cash contributions to the partnership at the date construction is substantially complete. Once the tax equity partner has earned their negotiated rate of return and we have reached the agreed upon contractual date, NIPSCO has the option to purchase at fair market value from the tax equity partner the remaining interest in the aforementioned joint venture. See Note 20-A, "Contractual Obligations," and Note 20-E, "Other Matters - NIPSCO 2018 Integrated Resource Plan," in the Notes to Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

We, along with certain of our subsidiaries, enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit.

Refer to Note 20, "Other Commitments and Contingencies," in the Notes to Consolidated Financial Statements for additional information about such arrangements.

Market Risk Disclosures

Risk is an inherent part of our businesses. The extent to which we properly and effectively identify, assess, monitor and manage each of the various types of risk involved in our businesses is critical to our profitability. We seek to identify, assess, monitor and manage, in accordance with defined policies and procedures, the following principal market risks that are involved in our businesses: commodity price risk, interest rate risk and credit risk. We manage risk through a multi-faceted process with oversight by the Risk Management Committee that requires constant communication, judgment and knowledge of specialized products and markets. Our senior management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in the identification, assessment and control of various risks. These may include, but are not limited to market, operational, financial, compliance and strategic risk types. In recognition of the increasingly varied and complex nature of the energy business, our risk management process, policies and procedures continue to evolve and are subject to ongoing review and modification.

Commodity Price Risk

We are exposed to commodity price risk as a result of our subsidiaries' operations involving natural gas and power. To manage this market risk, our subsidiaries use derivatives, including commodity futures contracts, swaps, forwards and options. We do not participate in speculative energy trading activity.

Commodity price risk resulting from derivative activities at our rate-regulated subsidiaries is limited, since regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the rate-making process, including gains or losses on these derivative instruments. If states should explore additional regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional rate-making process and may be more exposed to commodity price risk.

Our subsidiaries are required to make cash margin deposits with their brokers to cover actual and potential losses in the value of outstanding exchange traded derivative contracts. The amount of these deposits, some of which is reflected in our restricted cash balance, may fluctuate significantly during periods of high volatility in the energy commodity markets.

Refer to Note 10, "Risk Management Activities," in the Notes to the Consolidated Financial Statements for further information on our commodity price risk assets and liabilities as of December 31, 2020 and 2019.

Interest Rate Risk

We are exposed to interest rate risk as a result of changes in interest rates on borrowings under our revolving credit agreement, commercial paper program, accounts receivable programs and now-settled term loan, which have interest rates that are indexed to short-term market interest rates. Based upon average borrowings and debt obligations subject to fluctuations in short-term market interest rates, an increase (or decrease) in short-term interest rates of 100 basis points (1%) would have increased (or decreased) interest expense by \$12.3 million and \$19.0 million for 2020 and 2019, respectively. We are also exposed to interest rate risk as a result of changes in benchmark rates that can influence the interest rates of future debt issuances.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Refer to Note 10, "Risk Management Activities," in the Notes to Consolidated Financial Statements for further information on our interest rate risk assets and liabilities as of December 31, 2020 and 2019.

Credit Risk

Due to the nature of the industry, credit risk is embedded in many of our business activities. Our extension of credit is governed by a Corporate Credit Risk Policy. In addition, Risk Management Committee guidelines are in place which document management approval levels for credit limits, evaluation of creditworthiness, and credit risk mitigation efforts. Exposures to credit risks are monitored by the risk management function, which is independent of commercial operations. Credit risk arises due to the possibility that a customer, supplier or counterparty will not be able or willing to fulfill its obligations on a transaction on or before the settlement date. For derivative-related contracts, credit risk arises when counterparties are obligated to deliver or purchase defined commodity units of gas or power to us at a future date per execution of contractual terms and conditions. Exposure to credit risk is measured in terms of both current obligations and the market value of forward positions net of any posted collateral such as cash and letters of credit.

We closely monitor the financial status of our banking credit providers. We evaluate the financial status of our banking partners through the use of market-based metrics such as credit default swap pricing levels, and also through traditional credit ratings provided by major credit rating agencies.

Certain individual state regulatory commissions instituted regulatory moratoriums in connection with the COVID-19 pandemic that impacted our ability to pursue our credit risk mitigation practices for customer accounts receivable. Following the issuances of these moratoriums, certain of our regulated operations have been authorized to recognize a regulatory asset for bad debt costs above levels currently in rates. We have reinstated our common credit mitigation practices where moratoriums have expired. See the COVID-19 pandemic discussion in Part I, Item 1A, "Risk Factors" for risks that have been identified related to the pandemic and refer to Note 9, "Regulatory Matters" in the Notes to Consolidated Financial Statements for state specific regulatory moratoriums.

Other Information

Critical Accounting Policies

We apply certain accounting policies based on the accounting requirements discussed below that have had, and may continue to have, significant impacts on our operations and Consolidated Financial Statements.

Basis of Accounting for Rate-Regulated Subsidiaries. ASC Topic 980, *Regulated Operations*, provides that rate-regulated subsidiaries account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and if the competitive environment makes it probable that such rates can be charged and collected. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred on the Consolidated Balance Sheets and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers. The total amounts of regulatory assets and liabilities reflected on the Consolidated Balance Sheets were \$1,930.5 million and \$2,065.5 million at December 31, 2020, and \$2,239.6 million and \$2,512.2 million at December 31, 2019, respectively. For additional information, refer to Note 9, "Regulatory Matters," in the Notes to Consolidated Financial Statements.

In the event that regulation significantly changes the opportunity for us to recover our costs in the future, all or a portion of our regulated operations may no longer meet the criteria for the application of ASC Topic 980, *Regulated Operations*. In such event, a write-down of all or a portion of our existing regulatory assets and liabilities could result. If transition cost recovery is approved by the appropriate regulatory bodies that would meet the requirements under GAAP for continued accounting as regulatory assets and liabilities during such recovery period, the regulatory assets and liabilities would be reported at the recoverable amounts. If we were unable to continue to apply the provisions of ASC Topic 980, *Regulated Operations*, we would be required to apply the provisions of ASC Topic 980-20, *Discontinuation of Rate-Regulated Accounting*. In management's opinion, our regulated subsidiaries will be subject to ASC Topic 980, *Regulated Operations* for the foreseeable future.

Certain of the regulatory assets reflected on our Consolidated Balance Sheets require specific regulatory action in order to be included in future service rates. Although recovery of these amounts is not guaranteed, we believe that these costs meet the requirements for deferral as regulatory assets. If we determine that the amounts included as regulatory assets are no longer recoverable, a charge to income would immediately be required to the extent of the unrecoverable amounts.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

The passage of the TCJA into law in December 2017 necessitated the remeasurement of our deferred income tax balances to reflect the change in the statutory federal tax rate from 35% to 21%. For our regulated entities, substantially all of the impact of this remeasurement was recorded to a regulatory liability and is being passed backed to customers, as established during the rate making process. For additional information, refer to Note 9, "Regulatory Matters," and Note 11, "Income Taxes," in the Notes to Consolidated Financial Statements.

Pension and Postretirement Benefits. We have defined benefit plans for both pension and other postretirement benefits. The calculation of the net obligations and annual expense related to the plans requires a significant degree of judgment regarding the discount rates to be used in bringing the liabilities to present value, expected long-term rates of return on plan assets, health care trend rates, and mortality rates, among other assumptions. Due to the size of the plans and the long-term nature of the associated liabilities, changes in the assumptions used in the actuarial estimates could have material impacts on the measurement of the net obligations and annual expense recognition. Differences between actuarial assumptions and actual plan results are deferred into AOCI or a regulatory balance sheet account, depending on the jurisdiction of our entity. These deferred gains or losses are then amortized into the income statement when the accumulated differences exceed 10% of the greater of the projected benefit obligation or the fair value of plan assets (known in GAAP as the "corridor" method) or when settlement accounting is triggered.

The discount rates, expected long-term rates of return on plan assets, health care cost trend rates and mortality rates are critical assumptions. Methods used to develop these assumptions are described below. While a third party actuarial firm assists with the development of many of these assumptions, we are ultimately responsible for selecting the final assumptions.

The discount rate is utilized principally in calculating the actuarial present value of pension and other postretirement benefit obligations and net periodic pension and other postretirement benefit plan costs. Our discount rates for both pension and other postretirement benefits are determined using spot rates along an AA-rated above median yield curve with cash flows matching the expected duration of benefit payments to be made to plan participants.

The expected long-term rate of return on plan assets is a component utilized in calculating annual pension and other postretirement benefit plan costs. We estimate the expected return on plan assets by evaluating expected bond returns, equity risk premiums, target asset allocations, the effects of active plan management, the impact of periodic plan asset rebalancing and historical performance. We also consider the guidance from our investment advisors in making a final determination of our expected rate of return on assets. For measurement of 2021 net periodic benefit cost, we selected an expected pre-tax long-term rate of return of 5.20% and 5.50% for our pension and other postretirement benefit plan assets, respectively.

We estimate the assumed health care cost trend rate, which is used in determining our other postretirement benefit net expense, based upon our actual health care cost experience, the effects of recently enacted legislation, third-party actuarial surveys and general economic conditions.

We utilize a full yield curve approach to estimate the service and interest components of net periodic benefit cost for pension and other postretirement benefits by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. For further discussion of our pension and other postretirement benefits, see Note 12, "Pension and Other Postretirement Benefits," in the Notes to Consolidated Financial Statements.

Typically, we use the Society of Actuaries' most recently published mortality data in developing a best estimate of mortality as part of the calculation of the pension and other postretirement benefit obligations. Due to the ongoing COVID-19 pandemic, we adjusted our mortality assumption through 2023 to reflect anticipated slow recovery.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

The following tables illustrate the effects of changes in these actuarial assumptions while holding all other assumptions constant:

Change in Assumptions (<i>in millions</i>)	Impact on December 31, 2020 Projected Benefit Obligation Increase/(Decrease)	
	Pension Benefits	Other Postretirement Benefits
+50 basis points change in discount rate	\$ (88.7)	\$ (29.8)
-50 basis points change in discount rate	96.5	32.7

Change in Assumptions (<i>in millions</i>)	Impact on 2020 Expense Increase/(Decrease) ⁽¹⁾	
	Pension Benefits	Other Postretirement Benefits
+50 basis points change in discount rate	\$ (2.0)	\$ (0.8)
-50 basis points change in discount rate	1.6	0.9
+50 basis points change in expected long-term rate of return on plan assets	(9.8)	(1.3)
-50 basis points change in expected long-term rate of return on plan assets	9.8	1.3

⁽¹⁾Before labor capitalization and regulatory deferrals.

Goodwill and Other Intangible Assets. We have six goodwill reporting units, comprised of the six state operating companies within the Gas Distribution Operations reportable segment. Our goodwill assets at December 31, 2020 were \$1,486 million, most of which resulted from the acquisition of Columbia on November 1, 2000.

As required by GAAP, we test for impairment of goodwill on an annual basis and on an interim basis when events or circumstances indicate that a potential impairment may exist. Our annual goodwill test takes place in the second quarter of each year and was performed on May 1, 2020.

A quantitative ("step 1") test was completed on May 1, 2020 for all reporting units. Columbia of Massachusetts was not considered to be a reporting unit for the May 1, 2020 fair value measurement as the goodwill balance had been reduced to zero as of December 31, 2019. Consistent with our historical impairment testing of goodwill, fair value of the reporting units was determined based on a weighting of income and market approaches. These approaches require significant judgments including appropriate long-term growth rates and discount rates for the income approach and appropriate multiples of earnings for peer companies and control premiums for the market approach. The discount rates were derived using peer company data compiled with the assistance of a third party valuation services firm. The discount rates used are subject to change based on changes in tax rates at both the state and federal level, debt and equity ratios at each reporting unit and general economic conditions. The long-term growth rate was derived by evaluating historic growth rates, new business and investment opportunities beyond the near term horizon. The long-term growth rate is subject to change depending on inflationary impacts to the U.S. economy and the individual business environments in which each reporting unit operates. The Step 1 analysis performed indicated that the fair value of each of the reporting units exceeds their carrying value. As a result, no impairment charges were recorded.

We recorded impairment charges related to goodwill and other intangible assets in 2019. See Note 7, "Goodwill and Other Intangible Assets," in the Notes to Consolidated Financial Statements for information regarding our 2019 analyses and assumptions.

Revenue Recognition. Revenue is recorded as products and services are delivered. Utility revenues are billed to customers monthly on a cycle basis. Revenues are recorded on the accrual basis and include estimates for electricity and gas delivered but not billed.

We adopted the provisions of ASC 606 beginning on January 1, 2018 using a modified retrospective method, which was applied to all contracts. No material adjustments were made to January 1, 2018 opening balances and no material changes in the amount or timing of future revenue recognition occurred as a result of the adoption of ASC 606. Refer to Note 3 "Revenue Recognition," in the Notes to Consolidated Financial Statements for additional information regarding our significant judgments and estimates related to revenue recognition.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Variable Interest Entities. A VIE is an entity in which the controlling interest is determined through means other than a majority voting interest. The primary beneficiary of a VIE is the business enterprise which has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. Also, the primary beneficiary either absorbs a significant amount of the VIE's losses or has the right to receive benefits that could be significant to the VIE. We consider these qualitative elements in determining whether we are the primary beneficiary of a VIE, and we consolidate those VIEs for which we are determined to be the primary beneficiary. As the managing member of a partnership, we would control decisions that are significant to the ongoing operations and economic results. Therefore, we have concluded that we are the primary beneficiary of Rosewater and have consolidated Rosewater even though we own less than 100% of the total equity membership interest.

We have determined that the use of HLBV accounting is reasonable and appropriate to attribute income and loss to the noncontrolling interest held by the tax equity partner. HLBV accounting was selected as the allocation of Rosewater's economic results to members differ from the members' relative ownership percentages. Using the HLBV method, our earnings are calculated based on how the partnership would distribute its cash if it were to hypothetically sell all of its assets for their carrying amounts and liquidate at each reporting period. Under HLBV, we calculate the liquidation value allocable to each partner at the beginning and end of each period based on the contractual liquidation waterfall and adjust our income for the period to reflect the change our associated book value. Refer to Note 4, "Variable Interest Entities" in the Notes to Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

Refer to Note 2, "Recent Accounting Pronouncements," in the Notes to Consolidated Financial Statements.

Quantitative and Qualitative Disclosures about Market Risk are reported in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Risk Disclosures."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

NISOURCE INC.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

**NISOURCE INC.
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the shareholders and the Board of Directors of NiSource Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of NiSource Inc. and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related statements of consolidated income (loss), comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 17, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impact of Rate Regulation on the Financial Statements - Refer to Note 9 to the consolidated financial statements

Critical Audit Matter Description

The Company's subsidiaries are fully regulated natural gas and electric utility companies serving customers in six states. These rate-regulated subsidiaries account for and report assets and liabilities consistent with the economic effect of the manner in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged to and collected from customers. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred on the consolidated balance sheets and are later recognized in income as the related amounts are included in customer rates and recovered from or refunded to customers.

The Company's subsidiaries' rates are subject to regulatory rate-setting processes. Rates are determined and approved in regulatory proceedings based on an analysis of the subsidiaries' costs to provide utility service and a return on, and recovery of, the subsidiaries' investment in the utility business. Regulatory decisions can have an impact on the recovery of costs, the rate of return earned on investment, and the timing and amount of assets to be recovered by rates. The respective commissions' regulation of rates is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital. Decisions to be made by the commission in the future will impact the accounting for regulated operations, including

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

**NISOURCE INC.
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While the Company has indicated it expects to recover costs from customers through regulated rates, there is a risk that the commission will not approve: (1) full recovery of the costs of providing utility service, or (2) full recovery of all amounts invested in the utility business and a reasonable return on that investment.

We identified the accounting for rate-regulated subsidiaries as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing (1) the likelihood of recovery in future rates of incurred costs and (2) the likelihood of refund of amounts previously collected from customers. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by regulatory commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate making process due its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the commissions included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments, that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the commissions for the Company, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, we inspected the Company's filings with the commissions and the filings with the commissions by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions related to recoverability of recorded assets.
- We inquired of management about property, plant, and equipment that may be abandoned. For assets that were abandoned, we inquired of management about their considerations regarding the abandonment. We inspected minutes of the board of directors and regulatory orders and other filings with the commissions to identify evidence that may contradict management's assertion regarding probability of an abandonment.
- We obtained an analysis from management regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

/s/ DELOITTE & TOUCHE LLP
Columbus, Ohio
February 17, 2021

We have served as the Company's auditor since 2002.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

**NISOURCE INC.
STATEMENTS OF CONSOLIDATED INCOME (LOSS)**

Year Ended December 31, <i>(in millions, except per share amounts)</i>	2020	2019	2018
Operating Revenues			
Customer revenues	\$ 4,473.2	\$ 5,053.4	\$ 4,991.1
Other revenues	208.5	155.5	123.4
Total Operating Revenues	4,681.7	5,208.9	5,114.5
Operating Expenses			
Cost of energy	1,109.3	1,534.8	1,761.3
Operation and maintenance	1,585.9	1,354.7	2,352.9
Depreciation and amortization	725.9	717.4	599.6
Impairment of goodwill and intangible assets	—	414.5	—
Loss on sale of assets, net	410.6	—	1.2
Other taxes	299.2	296.8	274.8
Total Operating Expenses	4,130.9	4,318.2	4,989.8
Operating Income	550.8	890.7	124.7
Other Income (Deductions)			
Interest expense, net	(370.7)	(378.9)	(353.3)
Other, net	32.1	(5.2)	43.5
Loss on early extinguishment of long-term debt	(243.5)	—	(45.5)
Total Other Deductions, Net	(582.1)	(384.1)	(355.3)
Income (Loss) before Income Taxes	(31.3)	506.6	(230.6)
Income Taxes	(17.1)	123.5	(180.0)
Net Income (Loss)	(14.2)	383.1	(50.6)
Net income attributable to noncontrolling interest	3.4	—	—
Net Income (Loss) attributable to NiSource	(17.6)	383.1	(50.6)
Preferred dividends	(55.1)	(55.1)	(15.0)
Net Income (Loss) Available to Common Shareholders	(72.7)	328.0	(65.6)
Earnings (Loss) Per Share			
Basic Earnings (Loss) Per Share	\$ (0.19)	\$ 0.88	\$ (0.18)
Diluted Earnings (Loss) Per Share	\$ (0.19)	\$ 0.87	\$ (0.18)
Basic Average Common Shares Outstanding	384.3	374.6	356.5
Diluted Average Common Shares	384.3	376.0	356.5

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

**NISOURCE INC.
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)**

Year Ended December 31, <i>(in millions, net of taxes)</i>	2020		2019		2018	
Net Income (Loss)	\$	(14.2)	\$	383.1	\$	(50.6)
Other comprehensive income (loss):						
Net unrealized gain (loss) on available-for-sale securities ⁽¹⁾		2.7		5.7		(2.6)
Net unrealized gain (loss) on cash flow hedges ⁽²⁾		(70.7)		(64.2)		22.7
Unrecognized pension and OPEB benefit (costs) ⁽³⁾		3.9		3.1		(4.4)
Total other comprehensive income (loss)		(64.1)		(55.4)		15.7
Total Comprehensive Income (Loss)	\$	(78.3)	\$	327.7	\$	(34.9)

⁽¹⁾ Net unrealized gain (loss) on available-for-sale securities, net of \$0.7 million tax expense, \$1.5 million tax expense and \$0.6 million tax benefit in 2020, 2019 and 2018, respectively.

⁽²⁾ Net unrealized gain (loss) on derivatives qualifying as cash flow hedges, net of \$23.4 million tax benefit, \$21.2 million tax benefit and \$7.5 million tax expense in 2020, 2019 and 2018, respectively.

⁽³⁾ Unrecognized pension and OPEB benefit (costs), net of \$0.1 million tax benefit, \$1.6 million tax expense and \$1.5 million tax benefit in 2020, 2019 and 2018, respectively.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
CONSOLIDATED BALANCE SHEETS

<i>(in millions)</i>	December 31, 2020	December 31, 2019
ASSETS		
Property, Plant and Equipment		
Plant	\$ 24,179.9	\$ 24,541.9
Accumulated depreciation and amortization	(7,560.4)	(7,629.7)
Net Property, Plant and Equipment ⁽¹⁾	16,619.5	16,912.2
Investments and Other Assets		
Unconsolidated affiliates	—	1.3
Available-for-sale debt securities (amortized cost of \$163.9 and \$150.1, allowance for credit losses of \$0.5 and \$0, respectively)	170.9	154.2
Other investments	81.1	74.7
Total Investments and Other Assets	252.0	230.2
Current Assets		
Cash and cash equivalents	116.5	139.3
Restricted cash	9.1	9.1
Accounts receivable	843.6	876.1
Allowance for credit losses	(52.3)	(19.2)
Accounts receivable, net	791.3	856.9
Gas inventory	191.2	250.9
Materials and supplies, at average cost	141.5	120.2
Electric production fuel, at average cost	68.4	53.6
Exchange gas receivable	34.1	48.5
Regulatory assets	135.7	225.7
Deferred property taxes	85.6	79.5
Prepayments and other	86.0	70.2
Total Current Assets ⁽¹⁾	1,659.4	1,853.9
Other Assets		
Regulatory assets	1,794.8	2,013.9
Goodwill	1,485.9	1,485.9
Deferred charges and other	228.9	163.7
Total Other Assets	3,509.6	3,663.5
Total Assets	\$ 22,040.5	\$ 22,659.8

⁽¹⁾Includes \$175.6 million of net property, plant and equipment assets and \$1.7 million of current assets of a consolidated VIE that may be used only to settle obligations of the consolidated VIE. Refer to Note 4 "Variable Interest Entity" for additional information.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)	December 31, 2020	December 31, 2019
CAPITALIZATION AND LIABILITIES		
Capitalization		
Stockholders' Equity		
Common stock - \$0.01 par value, 600,000,000 shares authorized; 391,760,051 and 382,135,680 shares outstanding, respectively	\$ 3.9	\$ 3.8
Preferred stock - \$0.01 par value, 20,000,000 shares authorized; 440,000 shares outstanding	880.0	880.0
Treasury stock	(99.9)	(99.9)
Additional paid-in capital	6,890.1	6,666.2
Retained deficit	(1,765.2)	(1,370.8)
Accumulated other comprehensive loss	(156.7)	(92.6)
Total NiSource Stockholders' Equity	5,752.2	5,986.7
Noncontrolling interest in consolidated subsidiaries	85.6	—
Total Stockholders' Equity	5,837.8	5,986.7
Long-term debt, excluding amounts due within one year	9,219.8	7,856.2
Total Capitalization	15,057.6	13,842.9
Current Liabilities		
Current portion of long-term debt	23.3	13.4
Short-term borrowings	503.0	1,773.2
Accounts payable	589.0	666.0
Customer deposits and credits	243.3	256.4
Taxes accrued	244.1	231.6
Interest accrued	104.7	99.4
Risk management liabilities	78.2	12.6
Exchange gas payable	48.5	59.7
Regulatory liabilities	161.3	160.2
Accrued compensation and employee benefits	141.8	156.3
Claims accrued	28.6	165.4
Other accruals	113.6	151.6
Total Current Liabilities	2,279.4	3,745.8
Other Liabilities		
Risk management liabilities	144.6	134.0
Deferred income taxes	1,470.6	1,485.3
Accrued insurance liabilities	84.8	81.5
Accrued liability for postretirement and postemployment benefits	336.1	373.2
Regulatory liabilities	1,904.2	2,352.0
Asset retirement obligations	477.1	416.9
Other noncurrent liabilities	286.1	228.2
Total Other Liabilities	4,703.5	5,071.1
Commitments and Contingencies (Refer to Note 20, "Other Commitments and Contingencies")		
Total Capitalization and Liabilities	\$ 22,040.5	\$ 22,659.8

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

**NISOURCE INC.
STATEMENTS OF CONSOLIDATED CASH FLOWS**

Year Ended December 31, <i>(in millions)</i>	2020	2019	2018
Operating Activities			
Net Income (Loss)	\$ (14.2)	\$ 383.1	\$ (50.6)
Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating Activities:			
Loss on early extinguishment of debt	243.5	—	45.5
Depreciation and amortization	725.9	717.4	599.6
Deferred income taxes and investment tax credits	(29.0)	118.2	(188.2)
Stock compensation expense and 401(k) profit sharing contribution	17.4	25.9	28.6
Impairment of goodwill and intangible assets	—	414.5	—
Loss (gain) on sale of assets	409.8	(0.6)	1.3
Amortization of discount/premium on debt	9.4	8.2	7.5
AFUDC equity	(9.9)	(8.0)	(14.2)
Other adjustments	0.2	(0.3)	0.4
Changes in Assets and Liabilities:			
Accounts receivable	(3.9)	187.8	(186.2)
Inventories	(1.5)	(2.0)	41.4
Accounts payable	(29.7)	(299.9)	268.4
Customer deposits and credits	10.0	16.9	(25.4)
Taxes accrued	28.4	7.3	20.2
Interest accrued	5.3	8.8	(21.7)
Exchange gas receivable/payable	(6.9)	55.5	(21.5)
Other accruals	(218.8)	105.3	43.5
Prepayments and other current assets	(5.9)	(33.6)	(14.5)
Regulatory assets/liabilities	70.8	(85.6)	(53.2)
Postretirement and postemployment benefits	(103.6)	(21.1)	58.2
Deferred charges and other noncurrent assets	(15.0)	(76.1)	3.8
Other noncurrent liabilities	21.7	61.6	(2.8)
Net Cash Flows from Operating Activities	1,104.0	1,583.3	540.1
Investing Activities			
Capital expenditures	(1,758.1)	(1,802.4)	(1,818.2)
Cost of removal	(138.2)	(113.2)	(104.3)
Proceeds from disposition of assets	1,115.9	0.4	1.8
Purchases of available-for-sale securities	(144.7)	(140.4)	(90.0)
Sales of available-for-sale securities	131.4	132.1	82.3
Payment to renewable generation asset developer	(85.3)	—	—
Other investing activities	(0.1)	1.1	2.3
Net Cash Flows used for Investing Activities	(879.1)	(1,922.4)	(1,926.1)
Financing Activities			
Proceeds from issuance of long-term debt	2,974.0	750.0	350.0
Repayments of long-term debt and finance lease obligations	(1,622.0)	(51.6)	(1,046.1)
Issuance of short-term debt (maturity > 90 days)	1,350.0	600.0	950.0
Repayment of short-term debt (maturity > 90 days)	(2,200.0)	(700.0)	—
Change in short-term borrowings, net (maturity ≤ 90 days)	(420.1)	(104.0)	(178.5)
Issuance of common stock, net of issuance costs	211.4	244.4	848.2
Issuance of preferred stock, net of issuance costs	—	—	880.0
Equity costs, premiums and other debt related costs	(246.5)	(17.8)	(46.0)
Acquisition of treasury stock	—	—	(4.0)
Contributions from non-controlling interest, net of issuance costs	82.2	—	—
Dividends paid - common stock	(321.6)	(298.5)	(273.3)
Dividends paid - preferred stock	(55.1)	(56.1)	(11.6)
Net Cash Flows from Financing Activities	(247.7)	366.4	1,468.7
Change in cash, cash equivalents and restricted cash	(22.8)	27.3	82.7
Cash, cash equivalents and restricted cash at beginning of period	148.4	121.1	38.4
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 125.6	\$ 148.4	\$ 121.1

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

<i>(in millions)</i>	Common Stock	Preferred Stock ⁽¹⁾	Treasury Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Consolidated Subsidiaries	Total
Balance as of January 1, 2018	\$ 3.4	\$ —	\$ (95.9)	\$ 5,529.1	\$ (1,073.1)	\$ (43.4)	\$ —	\$ 4,320.1
Comprehensive Loss:								
Net Loss	—	—	—	—	(50.6)	—	—	(50.6)
Other comprehensive income, net of tax	—	—	—	—	—	15.7	—	15.7
Dividends								
Common stock (\$0.78 per share)	—	—	—	—	(273.5)	—	—	(273.5)
Preferred stock (\$28.88 per share)	—	—	—	—	(11.6)	—	—	(11.6)
Treasury stock acquired	—	—	(4.0)	—	—	—	—	(4.0)
Cumulative effect of change in accounting principle	—	—	—	—	9.5	(9.5)	—	—
Stock issuances:								
Common stock - private placement	0.3	—	—	599.3	—	—	—	599.6
Preferred stock	—	880.0	—	—	—	—	—	880.0
Employee stock purchase plan	—	—	—	5.5	—	—	—	5.5
Long-term incentive plan	—	—	—	15.4	—	—	—	15.4
401(k) and profit sharing	—	—	—	21.8	—	—	—	21.8
ATM Program	0.1	—	—	232.4	—	—	—	232.5
Balance as of December 31, 2018	\$ 3.8	\$ 880.0	\$ (99.9)	\$ 6,403.5	\$ (1,399.3)	\$ (37.2)	\$ —	\$ 5,750.9
Comprehensive Income:								
Net Income	—	—	—	—	383.1	—	—	383.1
Other comprehensive loss, net of tax	—	—	—	—	—	(55.4)	—	(55.4)
Dividends								
Common stock (\$0.80 per share)	—	—	—	—	(298.5)	—	—	(298.5)
Preferred stock (See Note 13)	—	—	—	—	(56.1)	—	—	(56.1)
Stock issuances:								
Employee stock purchase plan	—	—	—	5.6	—	—	—	5.6
Long-term incentive plan	—	—	—	10.4	—	—	—	10.4
401(k) and profit sharing	—	—	—	17.6	—	—	—	17.6
ATM Program	—	—	—	229.1	—	—	—	229.1
Balance as of December 31, 2019	\$ 3.8	\$ 880.0	\$ (99.9)	\$ 6,666.2	\$ (1,370.8)	\$ (92.6)	\$ —	\$ 5,986.7
Comprehensive Loss:								
Net Income (Loss)	—	—	—	—	(17.6)	—	3.4	(14.2)
Other comprehensive loss, net of tax	—	—	—	—	—	(64.1)	—	(64.1)
Dividends:								
Common stock (\$0.84 per share)	—	—	—	—	(321.7)	—	—	(321.7)
Preferred stock (See Note 13)	—	—	—	—	(55.1)	—	—	(55.1)
Contribution from noncontrolling interest	—	—	—	—	—	—	82.2	82.2
Stock issuances:								
Employee stock purchase plan	—	—	—	5.7	—	—	—	5.7
Long-term incentive plan	—	—	—	8.4	—	—	—	8.4
401(k) and profit sharing	—	—	—	13.4	—	—	—	13.4
ATM program	0.1	—	—	196.4	—	—	—	196.5
Balance as of December 31, 2020	\$ 3.9	\$ 880.0	\$ (99.9)	\$ 6,890.1	\$ (1,765.2)	\$ (156.7)	\$ 85.6	\$ 5,837.8

⁽¹⁾Series A and Series B shares have an aggregate liquidation preference of \$400M and \$500M, respectively. See Note 13, "Equity" for additional information.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY (continued)

<i>(in thousands)</i>	Preferred	Common		
	Shares	Shares	Treasury	Outstanding
Balance as of January 1, 2018	—	340,813	(3,797)	337,016
Treasury stock acquired	—	—	(166)	(166)
Issued:				
Common stock - private placement	—	24,964	—	24,964
Preferred stock	420	—	—	—
Employee stock purchase plan	—	223	—	223
Long-term incentive plan	—	561	—	561
401(k) and profit sharing plan	—	882	—	882
ATM program	—	8,883	—	8,883
Balance as of December 31, 2018	420	376,326	(3,963)	372,363
Issued:				
Preferred stock ⁽¹⁾	20	—	—	—
Employee stock purchase plan	—	201	—	201
Long-term incentive plan	—	518	—	518
401(k) and profit sharing plan	—	631	—	631
ATM Program	—	8,423	—	8,423
Balance as of December 31, 2019	440	386,099	(3,963)	382,136
Issued:				
Employee stock purchase plan	—	236	—	236
Long-term incentive plan	—	385	—	385
401(k) and profit sharing plan	—	544	—	544
ATM program	—	8,459	—	8,459
Balance as of December 31, 2020	440	395,723	(3,963)	391,760

⁽¹⁾See Note 13, "Equity," for additional information.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

1. Nature of Operations and Summary of Significant Accounting Policies

A. Company Structure and Principles of Consolidation. We are an energy holding company incorporated in Delaware and headquartered in Merrillville, Indiana. Our subsidiaries are fully regulated natural gas and electric utility companies serving approximately 3.7 million customers in six states. We generate substantially all of our operating income through these rate-regulated businesses. The consolidated financial statements include the accounts of us, our majority-owned subsidiaries, and VIEs of which we are the primary beneficiary after the elimination of all intercompany accounts and transactions.

On February 26, 2020, NiSource and Columbia of Massachusetts entered into an Asset Purchase Agreement with Eversource (the "Asset Purchase Agreement"). On October 9, 2020, NiSource and Columbia of Massachusetts received net proceeds from the sale of approximately \$1,113 million, which included, a \$1,100 million purchase price, an estimate of Columbia of Massachusetts' net working capital, net of closing costs and a \$56.0 million payment in lieu of penalties that NiSource agreed to make in full settlement of all of the pending and potential claims, lawsuits, investigations or proceedings settled by and released by a settlement agreement approved by the Massachusetts DPU. As of December 31, 2020, we have recorded a loss on the sale of \$412.4 million based on asset and liability balances as of the close of the transaction on October 9, 2020, estimated net working capital and estimated transaction costs. This estimated pre-tax loss is presented as "Loss on sale of assets, net" on the Statements of Consolidated Income (Loss) and is subject to change based on the final net working capital determination.

The Massachusetts Business had the following pretax income (loss) for the twelve months ended December 31, 2020, 2019 and 2018:

<i>(in millions)</i>	Twelve Months Ended December 31,		
	2020	2019	2018
Pretax Income (Loss)	(\$422.3)	\$36.8	(\$835.6)

We continue to monitor how the COVID-19 pandemic is affecting our workforce, customers, suppliers, operations, financial results and cash flow. See Note 3, "Revenue Recognition," Note 9, "Regulatory Matters," and Note 11, "Income Taxes," for information on the pandemic.

B. Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Cash, Cash Equivalents and Restricted Cash. We consider all highly liquid investments with original maturities of three months or less to be cash equivalents. We report amounts deposited in brokerage accounts for margin requirements as restricted cash. In addition, we have amounts deposited in trust to satisfy requirements for the provision of various property, liability, workers compensation, and long-term disability insurance, which is classified as restricted cash on the Consolidated Balance Sheets and disclosed with cash and cash equivalents on the Statements of Consolidated Cash Flows.

D. Accounts Receivable and Unbilled Revenue. Accounts receivable on the Consolidated Balance Sheets includes both billed and unbilled amounts. Unbilled amounts of accounts receivable relate to a portion of a customer's consumption of gas or electricity from the last cycle billing date through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage, customer rates, weather and reasonable and supportable forecasts. Accounts receivable fluctuates from year to year depending in large part on weather impacts and price volatility. Our accounts receivable on the Consolidated Balance Sheets include unbilled revenue, less reserves, in the amounts of \$338.3 million and \$350.5 million as of December 31, 2020 and 2019, respectively. The reserve for uncollectible receivables is our best estimate of the amount of probable credit losses in the existing accounts receivable. We determined the reserve based on historical experience and in consideration of current market conditions. Account balances are charged against the allowance when it is anticipated the receivable will not be recovered. Refer to Note 3, "Revenue Recognition," for additional information on customer-related accounts receivable.

E. Investments in Debt Securities. Our investments in debt securities are carried at fair value and are designated as available-for-sale. These investments are included within "Other investments" on the Consolidated Balance Sheets. Unrealized gains and losses, net of deferred income taxes, are recorded to accumulated other comprehensive income or loss. These

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

investments are monitored for other than temporary declines in market value. Realized gains and losses and permanent impairments are reflected in the Statements of Consolidated Income (Loss). No material impairment charges were recorded for the years ended December 31, 2020, 2019 or 2018. Refer to Note 18, "Fair Value," for additional information.

F. Basis of Accounting for Rate-Regulated Subsidiaries. Rate-regulated subsidiaries account for and report assets and liabilities consistent with the economic effect of the way in which regulators establish rates, if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged and collected. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred on the Consolidated Balance Sheets and are later recognized in income as the related amounts are included in customer rates and recovered from or refunded to customers.

We continually evaluate whether or not our operations are within the scope of ASC 980 and rate regulations. As part of that analysis, we evaluate probability of recovery for our regulatory assets. In management's opinion, our regulated subsidiaries will be subject to regulatory accounting for the foreseeable future. Refer to Note 9, "Regulatory Matters," for additional information.

G. Plant and Other Property and Related Depreciation and Maintenance. Property, plant and equipment (principally utility plant) is stated at cost. Our rate-regulated subsidiaries record depreciation using composite rates on a straight-line basis over the remaining service lives of the electric, gas and common properties, as approved by the appropriate regulators.

Non-utility property includes renewable generation assets owned by a joint venture of which we are the primary beneficiary and is generally depreciated on a straight-line basis over the life of the associated asset. Refer to Note 6, "Property, Plant and Equipment," for additional information related to depreciation expense.

For rate-regulated companies, AFUDC is capitalized on all classes of property except organization costs, land, autos, office equipment, tools and other general property purchases. The allowance is applied to construction costs for that period of time between the date of the expenditure and the date on which such project is placed in service. Our pre-tax rate for AFUDC was 2.6% in 2020, 3.0% in 2019 and 3.5% in 2018.

Generally, our subsidiaries follow the practice of charging maintenance and repairs, including the cost of removal of minor items of property, to expense as incurred. When our subsidiaries retire regulated property, plant and equipment, original cost plus the cost of retirement, less salvage value, is charged to accumulated depreciation. However, when it becomes probable a regulated asset will be retired substantially in advance of its original expected useful life or is abandoned, the cost of the asset and the corresponding accumulated depreciation is recognized as a separate asset. If the asset is still in operation, the gross amounts are classified as "Non-Utility and Other" as described in Note 6, "Property, Plant and Equipment." If the asset is no longer operating but still subject to recovery, the net amount is classified in "Regulatory assets" on the Consolidated Balance Sheets. If we are able to recover a full return of and on investment, the carrying value of the asset is based on historical cost. If we are not able to recover a full return on investment, a loss on impairment is recognized to the extent the net book value of the asset exceeds the present value of future revenues discounted at the incremental borrowing rate.

When our subsidiaries sell entire regulated operating units, or retire or sell nonregulated properties, the original cost and accumulated depreciation and amortization balances are removed from "Net Property, Plant and Equipment" on the Consolidated Balance Sheets. Any gain or loss is recorded in earnings, unless otherwise required by the applicable regulatory body. Refer to Note 6, "Property, Plant and Equipment," for further information.

External and internal costs associated with computer software developed for internal use are capitalized. Capitalization of such costs commences upon the completion of the preliminary stage of each project. Once the installed software is ready for its intended use, such capitalized costs are amortized on a straight-line basis generally over a period of five years

External and internal up-front implementation costs associated with cloud computing arrangements that are service contracts are deferred on the Consolidated Balance Sheets. Once the installed software is ready for its intended use, such deferred costs are amortized on a straight-line basis to "Operation and maintenance," over the minimum term of the contract plus contractually-provided renewal periods that are reasonable expected to be exercised.

H. Goodwill and Other Intangible Assets. Substantially all of our goodwill relates to the excess of cost over the fair value of the net assets acquired in the Columbia acquisition on November 1, 2000. We test our goodwill for impairment annually as of May 1, or more frequently if events and circumstances indicate that goodwill might be impaired. Fair value of our reporting

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

units is determined using a combination of income and market approaches. See Note 7, "Goodwill and Other Intangible Assets," for additional information.

I. Accounts Receivable Transfer Program. Certain of our subsidiaries have agreements with third parties to transfer certain accounts receivable without recourse. These transfers of accounts receivable are accounted for as secured borrowings. The entire gross receivables balance remains on the December 31, 2020 and 2019 Consolidated Balance Sheets and short-term debt is recorded in the amount of proceeds received from the transferees involved in the transactions. Refer to Note 19, "Transfers of Financial Assets," for further information.

J. Gas Cost and Fuel Adjustment Clause. Our regulated subsidiaries defer most differences between gas and fuel purchase costs and the recovery of such costs in revenues and adjust future billings for such deferrals on a basis consistent with applicable state-approved tariff provisions. These deferred balances are recorded as "Regulatory assets" or "Regulatory liabilities," as appropriate, on the Consolidated Balance Sheets. Refer to Note 9, "Regulatory Matters," for additional information.

K. Inventory. Both the LIFO inventory methodology and the weighted average cost methodology are used to value natural gas in storage, as approved by regulators for all of our regulated subsidiaries. Inventory valued using LIFO was \$42.3 million and \$47.2 million at December 31, 2020 and 2019, respectively. Based on the average cost of gas using the LIFO method, the estimated replacement cost of gas in storage was less than the stated LIFO cost by \$19.6 million and \$25.5 million at December 31, 2020 and 2019, respectively. Gas inventory valued using the weighted average cost methodology was \$148.8 million at December 31, 2020 and \$203.7 million at December 31, 2019.

Electric production fuel is valued using the weighted average cost inventory methodology, as approved by NIPSCO's regulator.

Materials and supplies are valued using the weighted average cost inventory methodology.

L. Accounting for Exchange and Balancing Arrangements of Natural Gas. Our Gas Distribution Operations segment enters into balancing and exchange arrangements of natural gas as part of its operations and off-system sales programs. We record a receivable or payable for any of our respective cumulative gas imbalances, as well as for any gas inventory borrowed or lent under a Gas Distribution Operations exchange agreement. Exchange gas is valued based on individual regulatory jurisdiction requirements (for example, historical spot rate, spot at the beginning of the month). These receivables and payables are recorded as "Exchange gas receivable" or "Exchange gas payable" on our Consolidated Balance Sheets, as appropriate.

M. Accounting for Risk Management Activities. We account for our derivatives and hedging activities in accordance with ASC 815. We recognize all derivatives as either assets or liabilities on the Consolidated Balance Sheets at fair value, unless such contracts are exempted as a normal purchase normal sale under the provisions of the standard. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and resulting designation.

We have elected not to net fair value amounts for any of our derivative instruments or the fair value amounts recognized for the right to receive cash collateral or obligation to pay cash collateral arising from those derivative instruments recognized at fair value, which are executed with the same counterparty under a master netting arrangement. See Note 10, "Risk Management Activities," for additional information.

N. Income Taxes and Investment Tax Credits. We record income taxes to recognize full interperiod tax allocations. Under the asset and liability method, deferred income taxes are provided for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amount and the tax basis of existing assets and liabilities. Investment tax credits associated with regulated operations are deferred and amortized as a reduction to income tax expense over the estimated useful lives of the related properties.

To the extent certain deferred income taxes of the regulated companies are recoverable or payable through future rates, regulatory assets and liabilities have been established. Regulatory assets for income taxes are primarily attributable to property-related tax timing differences for which deferred taxes had not been provided in the past, when regulators did not recognize such taxes as costs in the rate-making process. Regulatory liabilities for income taxes are primarily attributable to the regulated companies' obligation to refund to ratepayers deferred income taxes provided at rates higher than the current Federal income tax rate. Such property-related amounts are credited to ratepayers using either the average rate assumption method or the reverse South Georgia method. Non property-related amounts are credited to ratepayers consistent with state utility commission direction.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Pursuant to the Internal Revenue Code and relevant state taxing authorities, we and our subsidiaries file consolidated income tax returns for federal and certain state jurisdictions. We and our subsidiaries are parties to a tax sharing agreement. Income taxes recorded by each party represent amounts that would be owed had the party been separately subject to tax.

O. Environmental Expenditures. We accrue for costs associated with environmental remediation obligations, including expenditures related to asset retirement obligations and cost of removal, when the incurrence of such costs is probable and the amounts can be reasonably estimated, regardless of when the expenditures are actually made. The undiscounted estimated future expenditures are based on currently enacted laws and regulations, existing technology and estimated site-specific costs where assumptions may be made about the nature and extent of site contamination, the extent of cleanup efforts, costs of alternative cleanup methods and other variables. The liability is adjusted as further information is discovered or circumstances change. The accruals for estimated environmental expenditures are recorded on the Consolidated Balance Sheets in "Other accruals" for short-term portions of these liabilities and "Other noncurrent liabilities" for the respective long-term portions of these liabilities. Rate-regulated subsidiaries applying regulatory accounting establish regulatory assets on the Consolidated Balance Sheets to the extent that future recovery of environmental remediation costs is probable through the regulatory process. Refer to Note 8, "Asset Retirement Obligations," and Note 20, "Other Commitments and Contingencies," for further information.

P. Excise Taxes. As an agent for some state and local governments, we invoice and collect certain excise taxes levied by state and local governments on customers and record these amounts as liabilities payable to the applicable taxing jurisdiction. Such balances are presented within "Other accruals" on the Consolidated Balance Sheets. These types of taxes collected from customers, comprised largely of sales taxes, are presented on a net basis affecting neither revenues nor cost of sales. We account for excise taxes for which we are liable by recording a liability for the expected tax with a corresponding charge to "Other taxes" expense on the Statements of Consolidated Income (Loss).

Q. Accrued Insurance Liabilities. We accrue for insurance costs related to workers compensation, automobile, property, general and employment practices liabilities based on the most probable value of each claim. In general, claim values are determined by professional, licensed loss adjusters who consider the facts of the claim, anticipated indemnification and legal expenses, and respective state rules. Claims are reviewed by us at least quarterly and an adjustment is made to the accrual based on the most current information. Refer to Note 20-E "Other Matters" for further information on accrued insurance liabilities related to the Greater Lawrence Incident.

2. Recent Accounting Pronouncements

Recently Issued Accounting Pronouncements

We are currently evaluating the impact of certain ASUs on our Consolidated Financial Statements or Notes to Consolidated Financial Statements, which are described below:

Standard	Description	Effective Date	Effect on the financial statements or other significant matters
ASU 2020-04, <i>Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Statement</i>	This pronouncement provides temporary optional expedients and exceptions for applying GAAP principles to contract modifications and hedging relationships to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates.	Upon issuance on March 12, 2020, and will apply through December 31, 2022.	We continue to evaluate the temporary expedients and options available under this guidance, and the effects of these pronouncements on our Consolidated Financial Statements and Notes to Consolidated Financial Statements. We are currently identifying and evaluating contracts that may be impacted. As of December 31, 2020, we have not applied any expedients and options available under this ASU.
ASU 2021-01, <i>Reference Rate Reform (Topic 848): Scope</i>			

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Standard	Description	Effective Date	Effect on the financial statements or other significant matters
ASU 2020-06, <i>Debt with Conversion and Other Options (Subtopic 470-20) and Derivative and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity</i>	This pronouncement simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. Specifically, the ASU "simplifies accounting for convertible instruments by removing major separation models required under current GAAP." In addition, the ASU "removes certain settlement conditions that are required for equity contracts to qualify for it" and "simplifies the diluted earnings per share (EPS) calculations in certain areas."	Annual period beginning after December 15, 2021. Early adoption is permitted for annual period beginning after December 15, 2020.	This pronouncement does not impact any securities we currently have on our balance sheet. We will continue to evaluate the effects of this pronouncement on our Consolidated Financial Statements and Notes to Consolidated Financial Statements as it pertains to any relevant future activity. We expect to adopt this ASU on its effective date.

Recently Adopted Accounting Pronouncements

Standard	Adoption
ASU 2019-04, <i>Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments</i>	<p>In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments (ASC 326). ASC 326 revised the GAAP guidance on the impairment of most financial assets and certain other instruments that are not measured at fair value through net income. ASC 326 introduces the current expected credit loss (CECL) model that is based on expected losses for instruments measured at amortized cost rather than incurred losses. It also requires entities to record an allowance for available-for-sale debt securities rather than impair the carrying amount of the securities. Subsequent improvements to the estimated credit losses of available-for-sale debt securities will be recognized immediately in earnings, instead of over-time as they would under historic guidance. In 2019, the FASB issued ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivative and Hedging, and Topic 825, Financial Instruments. This pronouncement clarified and improved certain areas of guidance related to the recently issued standards on credit losses, hedging, and recognition and measurement.</p> <p>We adopted ASC 326 effective January 1, 2020, using a modified retrospective method. Adoption of this standard did not have material impact on our Consolidated Financial Statements. No adjustments were made to the January 1, 2020 opening balances as a result of this adoption. As required under the modified retrospective method of adoption, results for the reporting periods beginning after January 1, 2020 are presented under ASC 326, while prior period amounts are not adjusted.</p> <p>See Note 3, "Revenue Recognition," and Note 18, "Fair Value," for our discussion of the implementing these standards.</p>
ASU 2016-13, <i>Financial Instruments-Credit Losses (Topic 326)</i>	
ASU 2018-14, <i>Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans</i>	Issued in August 2018, the pronouncement modifies the disclosure requirements for defined benefit pension or other postretirement benefit plans. The guidance removes disclosures that are no longer considered cost beneficial, clarifies the specific requirements of disclosures and adds disclosure requirements identified as relevant. The modifications affect annual period disclosures for fiscal years ending after December 15, 2020, and are applied on a retrospective basis to all periods presented. These disclosure requirements are reflected in the Note 12, "Pension and Postretirement Benefits."
ASU 2019-12, <i>Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes</i>	This pronouncement simplifies the accounting for income taxes by eliminating certain exceptions to the general principles in ASC 740, income taxes. It also improves consistency of application for other areas of the guidance by clarifying and amending existing guidance. We adopted the amendments of this pronouncement as of January 1, 2021 with no material impact to the Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

3. Revenue Recognition

Customer Revenues. Substantially all of our revenues are tariff-based. Under ASC 606, the recipients of our utility service meet the definition of a customer, while the operating company tariffs represent an agreement that meets the definition of a contract, which creates enforceable rights and obligations. Customers in certain of our jurisdictions participate in programs that allow for a fixed payment each month regardless of usage. Payments received that exceed the value of gas or electricity actually delivered are recorded as a liability and presented in "Customer Deposits and Credits" on the Consolidated Balance Sheets. Amounts in this account are reduced and revenue is recorded when customer usage exceeds payments received.

We have identified our performance obligations created under tariff-based sales as 1) the commodity (natural gas or electricity, which includes generation and capacity) and 2) delivery. These commodities are sold and / or delivered to and generally consumed by customers simultaneously, leading to satisfaction of our performance obligations over time as gas or electricity is delivered to customers. Due to the at-will nature of utility customers, performance obligations are limited to the services requested and received to date. Once complete, we generally maintain no additional performance obligations.

Transaction prices for each performance obligation are generally prescribed by each operating company's respective tariff. Rates include provisions to adjust billings for fluctuations in fuel and purchased power costs and cost of natural gas. Revenues are adjusted for differences between actual costs, subject to reconciliation, and the amounts billed in current rates. Under or over recovered revenues related to these cost recovery mechanisms are included in "Regulatory Assets" or "Regulatory Liabilities" on the Consolidated Balance Sheets and are recovered from or returned to customers through adjustments to tariff rates. As we provide and deliver service to customers, revenue is recognized based on the transaction price allocated to each performance obligation. Distribution revenues are generally considered daily or "at-will" contracts as customers may cancel their service at any time (subject to notification requirements), and revenue generally represents the amount we are entitled to bill customers.

In addition to tariff-based sales, our Gas Distribution Operations segment enters into balancing and exchange arrangements of natural gas as part of our operations and off-system sales programs. We have concluded that these sales are within the scope of ASC 606. Performance obligations for these types of sales include transportation and storage of natural gas and can be satisfied at a point in time or over a period of time, depending on the specific transaction. For those transactions that span a period of time, we record a receivable or payable for any cumulative gas imbalances, as well as for any gas inventory borrowed or lent under a Gas Distributions Operations exchange agreement.

Revenue Disaggregation and Reconciliation. We disaggregate revenue from contracts with customers based upon reportable segment as well as by customer class. As our revenues are primarily earned over a period of time, and we do not earn a material amount of revenues at a point in time, revenues are not disaggregated as such below. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. We completed the sale of the Massachusetts Business on October 9, 2020. The Electric Operations segment provides electric service in 20 counties in the northern part of Indiana.

The table below reconciles revenue disaggregation by customer class to segment revenue as well as to revenues reflected on the Statements of Consolidated Income (Loss):

Year Ended December 31, 2020 (in millions)	Gas Distribution Operations		Electric Operations		Corporate and Other ⁽²⁾		Total
Customer Revenues⁽¹⁾							
Residential	\$	2,075.0	\$	527.8	\$	—	\$ 2,602.8
Commercial		670.5		480.3		—	1,150.8
Industrial		212.8		412.1		—	624.9
Off-system		41.0		—		—	41.0
Miscellaneous		32.7		20.2		0.8	53.7
Total Customer Revenues	\$	3,032.0	\$	1,440.4	\$	0.8	\$ 4,473.2
Other Revenues		96.1		95.5		16.9	208.5
Total Operating Revenues	\$	3,128.1	\$	1,535.9	\$	17.7	\$ 4,681.7

⁽¹⁾Customer revenue amounts exclude intersegment revenues. See Note 24, "Segments of Business," for discussion of intersegment revenues.

⁽²⁾Other revenues related to the Transition Services Agreement entered into in connection with the sale of the Massachusetts Business.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Year Ended December 31, 2019 (in millions)	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Customer Revenues⁽¹⁾				
Residential	\$ 2,309.0	\$ 481.6	\$ —	\$ 2,790.6
Commercial	771.3	486.6	—	1,257.9
Industrial	245.2	607.7	—	852.9
Off-system	77.7	—	—	77.7
Miscellaneous	52.0	21.5	0.8	74.3
Total Customer Revenues	\$ 3,455.2	\$ 1,597.4	\$ 0.8	\$ 5,053.4
Other Revenues	54.5	101.0	—	155.5
Total Operating Revenues	\$ 3,509.7	\$ 1,698.4	\$ 0.8	\$ 5,208.9

⁽¹⁾Customer revenue amounts exclude intersegment revenues. See Note 24, "Segments of Business," for discussion of intersegment revenues.

Year Ended December 31, 2018 (in millions)	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Customer Revenues⁽¹⁾				
Residential	\$ 2,250.0	\$ 494.7	\$ —	\$ 2,744.7
Commercial	751.9	492.7	—	1,244.6
Industrial	228.0	613.6	—	841.6
Off-system	92.4	—	—	92.4
Miscellaneous	49.7	17.4	0.7	67.8
Total Customer Revenues	\$ 3,372.0	\$ 1,618.4	\$ 0.7	\$ 4,991.1
Other Revenues	34.4	89.0	—	123.4
Total Operating Revenues	\$ 3,406.4	\$ 1,707.4	\$ 0.7	\$ 5,114.5

⁽¹⁾Customer revenue amounts exclude intersegment revenues. See Note 24, "Segments of Business," for discussion of intersegment revenues.

Other Revenues. As permitted by accounting principles generally accepted in the United States, regulated utilities have the ability to earn certain types of revenue that are outside the scope of ASC 606. These revenues primarily represent revenue earned under alternative revenue programs. Alternative revenue programs represent regulator-approved mechanisms that allow for the adjustment of billings and revenue for certain approved programs. We maintain a variety of these programs, including demand side management initiatives that recover costs associated with the implementation of energy efficiency programs, as well as normalization programs that adjust revenues for the effects of weather or other external factors. Additionally, we maintain certain programs with future test periods that operate similarly to FERC formula rate programs and allow for recovery of costs incurred to replace aging infrastructure. When the criteria to recognize alternative revenue have been met, we establish a regulatory asset and present revenue from alternative revenue programs on the Statements of Consolidated Income (Loss) as "Other revenues." When amounts previously recognized under alternative revenue accounting guidance are billed, we reduce the regulatory asset and record a customer account receivable.

Customer Accounts Receivable. Accounts receivable on our Consolidated Balance Sheets includes both billed and unbilled amounts, as well as certain amounts that are not related to customer revenues. Unbilled amounts of accounts receivable relate to a portion of a customer's consumption of gas or electricity from the date of the last cycle billing through the last day of the month (balance sheet date). Factors taken into consideration when estimating unbilled revenue include historical usage, customer rates and weather. The opening and closing balances of customer receivables for the years ended December 31, 2020 and 2019 are presented in the table below. We had no significant contract assets or liabilities during the period. Additionally, we have not incurred any significant costs to obtain or fulfill contracts.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

<i>(in millions)</i>	Customer Accounts Receivable, Billed (less reserve) ⁽¹⁾	Customer Accounts Receivable, Unbilled (less reserve)
Balance as of December 31, 2019	\$ 466.6	\$ 346.6
Balance as of December 31, 2020	400.0	327.2
Decrease	\$ (66.6)	\$ (19.4)

⁽¹⁾Customer billed receivables decreased due to decreased natural gas costs and warmer weather in 2020 compared to 2019.

Utility revenues are billed to customers monthly on a cycle basis. We generally expect that substantially all customer accounts receivable will be collected within the month following customer billing, as this revenue consists primarily of monthly, tariff-based billings for service and usage. We maintain common utility credit risk mitigation practices, including requiring deposits and actively pursuing collection of past due amounts. Our regulated operations also utilize certain regulatory mechanisms that facilitate recovery of bad debt costs within tariff-based rates, which provides further evidence of collectibility. In connection with the COVID-19 pandemic, certain state regulatory commissions instituted regulatory moratoriums that impacted our ability to pursue our standard credit risk mitigation practices. Following the issuance of these moratoriums, certain of our regulated operations have been authorized to recognize a regulatory asset for bad debt costs above levels currently in rates. We have reinstated our common credit mitigation practices where moratoriums have expired (see Note 9, "Regulatory Matters," for additional information on regulatory moratoriums and regulatory assets). It is probable that substantially all of the consideration to which we are entitled from customers will be collected upon satisfaction of performance obligations.

Allowance for Credit Losses. We adopted ASC 326 effective January 1, 2020. See "Recently Adopted Accounting Pronouncements" in Note 2, "Recent Accounting Pronouncements," for more information about ASC 326.

Each of our business segments pool their customer accounts receivables based on similar risk characteristics, such as customer type, geography, payment terms, and related macro-economic risks. Expected credit loss exposure is evaluated separately for each of our accounts receivable pools. Expected credit losses are established using a model that considers historical collections experience, current information, and reasonable and supportable forecasts. Relevant and reliable internal and external inputs used in the model include, but are not limited to, energy consumption trends, revenue projections, actual charge-offs data, recoveries data, shut-off orders executed data, and final bill data. We continuously evaluate available reasonable and supportable information relevant to assessing collectibility of current and future receivables. We evaluate creditworthiness of specific customers periodically or when required by changes in facts and circumstances. When we become aware of a specific commercial or industrial customer's inability to pay, an allowance for expected credit losses is recorded for the relevant amount. We also monitor other circumstances that could affect our overall expected credit losses; these include, but are not limited to, creditworthiness of overall population in service territories, adverse conditions impacting an industry sector, and current economic conditions.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

At each reporting period, we record expected credit losses using an allowance for credit losses account. When deemed to be uncollectible, customer accounts are written-off. A rollforward of our allowance for credit losses for the year ended December 31, 2020 are presented in the table below:

Year Ended December 31, 2020 (in millions)	Gas Distribution Operations	Electric Operations	Corporate and Other	Total
Beginning balance⁽¹⁾	9.1	3.1	0.8	13.0
Current period provisions	45.3	9.3	—	54.6
Write-offs charged against allowance	(26.7)	(3.0)	—	(29.7)
Recoveries of amounts previously written off	14.1	0.3	—	14.4
Ending balance of the allowance for credit losses	41.8	9.7	0.8	52.3

⁽¹⁾Total beginning balance differs from that presented in the Consolidated Balance Sheets as it excludes Columbia of Massachusetts. Columbia of Massachusetts' customer receivables and related allowance for credit losses were included in the sale of the Massachusetts Business that occurred on October 9, 2020.

As of December 31, 2020, we have also evaluated the adequacy of our allowance for credit losses in light of the suspension of shut-offs for nonpayment due to the COVID-19 pandemic that remain in effect for certain jurisdictions, as well as the economic downturn. Our evaluation included an analysis of customer payment trends in 2020, economic conditions, receivables aging, considerations of past economic downturns and the associated allowance for credit losses and customer account write-offs. In addition, we considered benefits available under governmental COVID-19 relief programs, the impact of unemployment benefits initiatives, and flexible payment plans being offered to customers affected by or experiencing hardship as a result of the pandemic, which could help to mitigate the potential for increasing customer account delinquencies. Based upon this evaluation, we have concluded that the allowance for credit losses as of December 31, 2020 adequately reflected the collection risk and net realizable value for our receivables. We will continue to monitor changing circumstances and will adjust our allowance for credit losses as additional information becomes available.

4. Variable Interest Entities

A VIE is an entity in which the controlling interest is determined through means other than a majority voting interest. The primary beneficiary of a VIE is the business enterprise which has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. Also, the primary beneficiary either absorbs a significant amount of the VIE's losses or has the right to receive benefits that could be significant to the VIE. We consider these qualitative elements in determining whether we are the primary beneficiary of a VIE, and we consolidate those VIEs for which we are determined to be the primary beneficiary.

Rosewater (a joint venture) owns and operates 102 MW of nameplate capacity wind generation assets. Members of the joint venture are NIPSCO (who is the managing member) and a tax equity partner. Earnings, tax attributes and cash flows are allocated to both NIPSCO and the tax equity partner in varying percentages by category and over the life of the partnership. Once the tax equity partner has earned their negotiated rate of return and we have reached the agreed upon contractual date, NIPSCO has the option to purchase at fair market value from the tax equity partner the remaining interest in the aforementioned joint venture. NIPSCO has an obligation to purchase, through a PPA at established market rates, 100% of the electricity generated by Rosewater.

As the managing member of Rosewater, we control decisions that are significant to its ongoing operations and economic results. Therefore, we have concluded that we are the primary beneficiary of Rosewater and have consolidated Rosewater even though we own less than 100% of the total equity membership interest.

We have determined that the use of HLBV accounting is reasonable and appropriate in order to attribute income and loss to the noncontrolling interest held by the tax equity partner. HLBV accounting was selected as the allocation of Rosewater's economic results to members differ from the members' relative ownership percentages. Using the HLBV method, our earnings are calculated based on how the partnership would distribute its cash if it were to hypothetically sell all of its assets for their carrying amounts and liquidate at each reporting period. Under HLBV, we calculate the liquidation value allocable to each partner at the beginning and end of each period based on the contractual terms of the related entity's operating agreement and adjust our income for the period to reflect the change our associated book value.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

In December 2020, in exchange for their respective membership interests in Rosewater, NIPSCO contributed \$0.7 million in cash, and the tax equity partner contributed \$86.1 million in cash, the first of two contractual cash contributions for each partner, per the equity capital contribution agreement. NIPSCO's remaining economic interest was acquired by assuming an obligation of \$69.7 million to the developer, which comes due in 2023 and is included in "Other noncurrent liabilities" in the Consolidated Balance Sheets. From the contributed funds, Rosewater paid \$85.3 million to the developer of the wind generation assets. The developer of the facility is not a partner in the joint venture for federal income tax purposes and does not receive any share of earnings, tax attributes, or cash flows of Rosewater. Once asset construction is complete, NIPSCO and the tax equity partner will each make a second cash contribution of \$0.1 million and \$7.5 million, respectively, and NIPSCO will assume an additional obligation to the developer of \$6.0 million, totaling contributions of \$170.1 million for both partners. We did not provide any financial or other support during the year that was not previously contractually required, nor do we expect to provide such support in the future.

At December 31, 2020, \$156.4 million in net assets (as detailed in the table below) related to Rosewater and the non-controlling interest attributable to the unrelated tax equity partner of \$85.6 million were included in the Consolidated Balance Sheets. For the year ended December 31, 2020 \$3.4 million was allocated to the tax equity partner and is included in "Net income attributable to non-controlling interest" on the Statements of Consolidated Income (Loss).

At December 31, 2020, our consolidated balance sheet included the following assets and liabilities associated with Rosewater:

(in millions)

Net Property, Plant and Equipment	\$	175.6
Current assets		1.7
Total assets⁽¹⁾	\$	177.3
Current liabilities	\$	15.3
Asset retirement obligations		5.5
Other noncurrent liabilities		0.1
Total liabilities	\$	20.9

⁽¹⁾The assets of Rosewater represent assets of a consolidated VIE that can be used only to settle obligations of the consolidated VIE.

5. Earnings Per Share

Basic EPS is computed by dividing net income attributable to common shareholders by the weighted-average number of shares of common stock outstanding for the period. The weighted-average shares outstanding for diluted EPS includes the incremental effects of the various long-term incentive compensation plans and forward agreements when the impact of such plans and agreements would be dilutive. The calculation of diluted earnings per share for the years ended December 31, 2020 and December 31, 2018 does not include any dilutive potential common shares as we had a net loss on the Statements of Consolidated Income (Loss) for these periods, and any incremental shares would have had an anti-dilutive impact on EPS. The computation of diluted average common shares is as follows:

Year Ended December 31, (in thousands)	2020	2019	2018
Denominator			
Basic average common shares outstanding	384,347	374,650	356,491
Dilutive potential common shares:			
Shares contingently issuable under employee stock plans	—	929	—
Shares restricted under employee stock plans	—	154	—
Forward agreements	—	253	—
Diluted Average Common Shares	384,347	375,986	356,491

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

6. Property, Plant and Equipment

Our property, plant and equipment on the Consolidated Balance Sheets are classified as follows:

At December 31, (in millions)	2020	2019
Property, Plant and Equipment		
Gas Distribution Utility ⁽¹⁾	\$ 14,010.2	\$ 14,989.7
Electric Utility ⁽¹⁾	6,478.0	8,902.3
Corporate	197.3	153.3
Construction Work in Process	572.6	457.3
Renewable Generation Assets ⁽²⁾	175.7	—
Non-Utility and Other ⁽³⁾	2,746.1	39.3
Total Property, Plant and Equipment	\$ 24,179.9	\$ 24,541.9
Accumulated Depreciation and Amortization		
Gas Distribution Utility ⁽¹⁾	\$ (3,292.9)	\$ (3,556.0)
Electric Utility ⁽¹⁾	(2,305.0)	(3,973.8)
Corporate	(109.3)	(79.5)
Renewable Generation Assets ⁽²⁾	(0.1)	—
Non-Utility and Other ⁽³⁾	(1,853.1)	(20.4)
Total Accumulated Depreciation and Amortization	\$ (7,560.4)	\$ (7,629.7)
Net Property, Plant and Equipment	\$ 16,619.5	\$ 16,912.2

⁽¹⁾NIPSCO's common utility plant and associated accumulated depreciation and amortization are allocated between Gas Distribution Utility and Electric Utility Property, Plant and Equipment.

⁽²⁾Our renewable generation assets are part of our electric segment and represent Non-Utility Property, owned and operated by Rosewater Wind Generation LLC, a joint venture between NIPSCO and unrelated tax equity partner, and depreciated straight-line over 30 years. Refer to Note 4, "Variable Interest Entities" for additional information.

⁽³⁾Non-Utility and Other as of December 31, 2020 includes net book value of \$903.8 million related to R.M. Schahfer Generating Station, which was reclassified from Electric Utility in the second quarter of 2020. Depreciation expense for the remaining net book value continues to be recorded at the composite depreciation rate approved by the IURC. See Note 20-E, "Other Matters," for additional information.

The weighted average depreciation provisions for utility plant, as a percentage of the original cost, for the periods ended December 31, 2020, 2019 and 2018 were as follows:

	2020	2019	2018
Electric Operations ⁽¹⁾	3.4 %	2.8 %	2.9 %
Gas Distribution Operations	2.3 %	2.5 %	2.2 %

⁽¹⁾Increased rate beginning in 2020 primarily attributable to higher depreciation rates from the recent rate case proceeding.

We recognized depreciation expense of \$655.6 million, \$612.2 million and \$503.4 million for the years ended 2020, 2019 and 2018, respectively.

Amortization of Software Costs. We amortized \$56.7 million, \$55.5 million and \$54.1 million in 2020, 2019 and 2018, respectively, related to software costs. Our unamortized software balance was \$136.4 million and \$169.6 million at December 31, 2020 and 2019, respectively.

Amortization of Cloud Computing Costs. We amortized \$3.4 million, \$1.6 million and \$0.1 million in 2020, 2019 and 2018, respectively, related to cloud computing costs. Our unamortized cloud computing balance was \$12.7 million and \$14.2 million at December 31, 2020 and 2019, respectively.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

7. Goodwill and Other Intangible Assets

Goodwill. Substantially all of our goodwill relates to the excess of cost over the fair value of the net assets acquired in the Columbia acquisition on November 1, 2000. The following presents our goodwill balance allocated by segment as of December 31, 2020 and 2019:

<i>(in millions)</i>	2020	2019
Gas Distribution Operations	\$ 1,485.9	\$ 1,485.9
Electric Operations	—	—
Corporate and Other	—	—
Total	\$ 1,485.9	\$ 1,485.9

For our annual goodwill impairment analysis performed as of May 1, 2020, we completed a quantitative ("step 1") fair value measurement of our reporting units. Fair value of this reporting unit was determined based on a weighting of income and market approaches. The income approach calculated discounted cash flows using updated cash flow projections, discount rates and return on equity assumptions. The market approach applied a combination of comparable company multiples and comparable transactions and used the most recent cash flow projections. The test indicated that the fair value of each of the reporting units that are allocated goodwill exceeded their carrying values, indicating that no impairment was necessary.

Columbia of Massachusetts was not considered to be a reporting unit for May 1, 2020 fair value measurement as the goodwill balance had been reduced to zero as of December 31, 2019. During the fourth quarter of 2019, in connection with the preparation of the year-end financial statements, we assessed the matters related to the then proposed sale of the Massachusetts Business and determined a new impairment analysis was required for our Columbia of Massachusetts reporting unit. The fair value of the Columbia of Massachusetts reporting unit was determined in the same manner as described above for our remaining reporting units. The 2019 year-end impairment analysis indicated that the fair value of the Columbia of Massachusetts reporting unit was below its carrying value. As a result, we reduced the Columbia of Massachusetts reporting unit goodwill balance to zero and recognized a goodwill impairment charge totaling \$204.8 million, which is non-deductible for tax purposes.

Intangible and Other Long-Lived Assets Impairment. We review our definite-lived intangible assets, along with other long-lived assets (utility plant), for impairment when events or changes in circumstances indicate the assets' fair value might be below their carrying amount. Prior to December 31, 2019, our intangible assets, apart from goodwill, consisted of franchise rights. Franchise rights were identified as part of the purchase price allocations associated with the acquisition in February 1999 of Columbia of Massachusetts.

During the fourth quarter of 2019, in connection with the preparation of the year-end financial statements, we assessed the changes in circumstances that occurred during the quarter to determine if it was more likely than not that the fair value of our long-lived assets (including franchise rights) were below their carrying amount. As a result, we performed a year-end impairment test of our held and used long-lived assets in which we compared the book value of the Columbia of Massachusetts asset group to its undiscounted future cash flow and determined the carrying value of the asset group was not recoverable. We estimated the fair value of the Columbia of Massachusetts asset group using a weighting of income and market approaches and determined that the fair value was less than the carrying value. The resulting impairment was allocated to reduce the entire franchise rights book value to its fair value of zero, which resulted in an impairment charge totaling \$209.7 million recorded in the Gas Distribution Operations segment during the year ended December 31, 2019.

As of December 31, 2020 and 2019, the carrying amount of the franchise rights was zero. We recorded zero amortization expense in 2020 and \$11.0 million in 2019 and 2018 related to our franchise rights intangible asset.

8. Asset Retirement Obligations

We have recognized asset retirement obligations associated with various legal obligations including costs to remove and dispose of certain construction materials located within many of our facilities, certain costs to retire pipeline, removal costs for certain underground storage tanks, removal of certain pipelines known to contain PCB contamination, closure costs for certain sites including ash ponds, solid waste management units and a landfill, as well as some other nominal asset retirement obligations. We also have an obligation associated with the decommissioning of our two hydro facilities located in Indiana. These hydro facilities have an indeterminate life, and as such, no asset retirement obligation has been recorded.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Changes in our liability for asset retirement obligations for the years 2020 and 2019 are presented in the table below:

<i>(in millions)</i>	2020	2019
Beginning Balance	\$ 416.9	\$ 352.0
Accretion recorded as a regulatory asset/liability	17.3	15.7
Additions	5.5	—
Settlements	(13.9)	(5.4)
Change in estimated cash flows	86.0 ⁽¹⁾	54.6 ⁽²⁾
Other	(16.2) ⁽³⁾	—
Ending Balance	\$ 495.6	\$ 416.9

⁽¹⁾The change in estimated cash flows for 2020 is primarily attributed to revisions to the estimated costs associated with refining the CCR compliance plan, changes in estimated costs for electric generating stations and the changes in estimated costs for retirement of gas mains. See Note 20-D. "Environmental Matters" for additional information on CCRs.

⁽²⁾The change in estimated cash flows for 2019 is primarily attributed to changes in estimated costs and settlement timing for electric generating stations and the changes in estimated costs for retirement of gas mains.

⁽³⁾Represents the Columbia of Massachusetts Asset Retirement Obligations that were included in the sale of the Massachusetts Business that occurred on October 9, 2020.

Certain non-legal costs of removal that have been, and continue to be, included in depreciation rates and collected in the customer rates of the rate-regulated subsidiaries are classified as "Regulatory liabilities" on the Consolidated Balance Sheets.

9. Regulatory Matters

Regulatory Assets and Liabilities

We follow the accounting and reporting requirements of ASC Topic 980, which provides that regulated entities account for and report assets and liabilities consistent with the economic effect of regulatory rate-making procedures when the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates will be charged and collected from customers. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income or expense are deferred on the balance sheet and are recognized in the income statement as the related amounts are included in customer rates and recovered from or refunded to customers. We assess the probability of collection for all of our regulatory assets each period.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Regulatory assets were comprised of the following items:

At December 31, (in millions)	2020	2019
Regulatory Assets		
Unrecognized pension and other postretirement benefit costs (see Note 12)	\$ 583.3	\$ 739.1
Deferred pension and other postretirement benefit costs (see Note 12)	72.4	91.3
Environmental costs (see Note 20-D)	56.6	73.4
Regulatory effects of accounting for income taxes (see Note 1-N and Note 11)	194.5	234.0
Under-recovered gas and fuel costs (see Note 1-J)	8.0	3.9
Depreciation	192.6	210.7
Post-in-service carrying charges	228.6	219.8
Safety activity costs	146.0	118.6
DSM programs	37.8	50.1
Bailly Generating Station	204.7	221.8
Losses on Commodity Price Risk Programs (See Note 10)	54.7	76.4
Deferred Property Taxes	62.9	60.3
Other	88.4	140.2
Total Regulatory Assets	\$ 1,930.5	\$ 2,239.6
Less: Current Portion	135.7	225.7
Total Noncurrent Regulatory Assets	\$ 1,794.8	\$ 2,013.9

Regulatory liabilities were comprised of the following items:

At December 31, (in millions)	2020	2019
Regulatory Liabilities		
Over-recovered gas and fuel costs (see Note 1-J)	\$ 47.8	\$ 42.6
Cost of removal (see Note 8)	775.2	1,047.5
Regulatory effects of accounting for income taxes (see Note 1-N and Note 11)	1,105.1	1,307.0
Deferred pension and other postretirement benefit costs (see Note 12)	69.5	64.7
Other	67.9	50.4
Total Regulatory Liabilities	\$ 2,065.5	\$ 2,512.2
Less: Current Portion	161.3	160.2
Total Noncurrent Regulatory Liabilities	\$ 1,904.2	\$ 2,352.0

Regulatory assets, including under-recovered gas and fuel costs and depreciation, of approximately \$1,260.6 million and \$1,524.3 million as of December 31, 2020 and 2019, respectively, are not earning a return on investment. These costs are recovered over a remaining life, the longest of which is 41 years.

Assets:

Unrecognized pension and other postretirement benefit costs. Represents the deferred other comprehensive income or loss of the actuarial gains or losses and the prior service costs or credits that arise during the period but that are not immediately recognized as components of net periodic benefit costs by certain subsidiaries that will ultimately be recovered through base rates.

Deferred pension and other postretirement benefit costs. Primarily relates to the difference between defined benefit plan expense recorded by certain subsidiaries due to regulatory orders and the corresponding expense that would otherwise be recorded in accordance with GAAP. The majority of these amounts are driven by Columbia of Ohio. The timeframe for the recovery of these costs will be addressed in the next base rate case, and the costs are expected to be collected through future base rates, revenue riders or tracking mechanisms.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Environmental costs. Includes certain recoverable costs related to gas plant sites, disposal sites or other sites onto which material may have migrated, the recovery of which is to be addressed in future base rates, billing riders or tracking mechanisms of certain of our subsidiaries.

Regulatory effects of accounting for income taxes. Represents the deferral and under collection of deferred taxes in the rate making process.

Under-recovered gas and fuel costs. Represents the difference between the costs of gas and fuel and the recovery of such costs in revenue and is used to adjust future billings for such deferrals on a basis consistent with applicable state-approved tariff provisions. Recovery of these costs is achieved through tracking mechanisms.

Depreciation. Represents differences between depreciation expense incurred on a GAAP basis and that prescribed through regulatory order. The majority of this balance is driven by Columbia of Ohio's IRP and CEP deferrals. Recovery of these amounts is approved annually through the related riders.

Post-in-service carrying charges. Represents deferred debt-based carrying charges incurred on certain assets placed into service but not yet included in customer rates. The majority of this balance is driven by Columbia of Ohio's IRP and CEP deferrals.

Safety activity costs. Represents the difference between costs incurred by certain of our subsidiaries in eligible safety programs in compliance with PHMSA regulations in excess of those being recovered in rates.

DSM programs. Represents costs associated with Gas Distribution Operations and Electric Operations segments' energy efficiency and conservation programs. Costs are recovered through tracking mechanisms.

Bailly Generating Station. Represents the net book value of Units 7 and 8 of Bailly Generating Station that was retired during 2018. These amounts are currently being amortized at a rate consistent with their inclusion in customer rates.

Losses on Commodity Price Risk Programs. Represents the unrealized losses related to certain of our subsidiary's commodity price risk programs. These programs help to protect against the volatility of commodity prices and these amounts are collected from customers through their inclusion in customer rates.

Property Taxes. Represents the deferral and under collection of property taxes in the rate making process for Columbia of Ohio and is driven by the IRP and CEP deferrals.

Liabilities:

Over-recovered gas and fuel costs. Represents the difference between the cost of gas and fuel and the recovery of such costs in revenues and is the basis to adjust future billings for such refunds on a basis consistent with applicable state-approved tariff provisions. Refunding of these revenues is achieved through tracking mechanisms.

Cost of removal. Represents anticipated costs of removal for utility assets that have been collected through depreciation rates for future costs to be incurred.

Regulatory effects of accounting for income taxes. Represents amounts owed to customers for deferred taxes collected at a higher rate than the current statutory rates and liabilities associated with accelerated tax deductions owed to customers. Balance includes excess deferred taxes recorded upon implementation of the TCJA in December 2017, net of amounts amortized through 2020.

Deferred pension and other postretirement benefit costs. Primarily represents cash contributions in excess of postretirement benefit expense that is deferred by certain subsidiaries.

COVID-19 Regulatory Filings

In response to the COVID-19 pandemic, we have engaged, or have received directives from, the regulatory commissions in the states in which we operate, as described below.

Columbia of Ohio filed a Deferral Application and a Transition Plan with the PUCO on May 29, 2020. The Deferral Application requested approval to record a regulatory asset for pandemic incremental costs, foregone revenue from late payment fees, and bad debt expense from certain classes of customers. An order approving the Deferral Application was received on July 15, 2020. The Transition Plan requested the resumption of activities that were suspended in March 2020,

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

including resumption of disconnects due to non-payment and billing of late payment fees beginning with the August 2020 billing cycle. The PUCO approved the Transition Plan on June 17, 2020. As of December 31, 2020, \$2.0 million of incremental pandemic-related costs were deferred to a regulatory asset.

NIPSCO received a COVID-19 pandemic order from the IURC on June 29, 2020. This order extended the disconnection moratorium and the suspension of collection of late payment fees, deposits and reconnection fees through August 14, 2020. The order requires utilities to offer payment arrangements of at least six months and requires NIPSCO to provide the IURC with information about NIPSCO's communications with delinquent customers. On August 12, 2020, the IURC issued an order affirming the expiration of the disconnect moratorium after August 14, 2020, while requiring that six month payment plans be offered to all customers and extending the suspension for collection of late payment fees, deposits, and reconnection fees through October 12, 2020 for residential customers only. On October 7, 2020 the Office of Utility Consumer Counselor ("OUCC") filed a motion for the IURC to extend these temporary consumer protections for an additional 60 days. On October 27, the IURC issued a docket entry denying the OUCC's motion. The June 29, 2020 order also authorized NIPSCO to create a regulatory asset for pandemic-related incremental bad debt expense as well as the costs to implement the requirements of the order. As of December 31, 2020, \$9.2 million of incremental bad debt expense and costs to implement the requirements of the order were deferred to a regulatory asset.

Columbia of Pennsylvania received a secretarial letter issued by the Pennsylvania PUC on May 13, 2020 authorizing Pennsylvania utilities to create a regulatory asset for incremental bad debt expense incurred since March 13, 2020, above levels currently in rates. While Columbia of Pennsylvania is not authorized to defer any other incremental costs, it is required to track extraordinary non-recurring costs, and any offsetting benefits received, in connection with the COVID-19 pandemic. On October 13, 2020, the Pennsylvania PUC entered an order modifying its March 13, 2020 emergency order that had established a moratorium on utility service terminations. As modified, the moratorium still applies to residential customers with incomes at or below 300% of the federal poverty income guidelines ("protected customers"). For all other customers, the moratorium was lifted on November 9, 2020, but utilities must comply with several notice requirements beyond those already in place in Pennsylvania in order to proceed with service terminations. For residential customers who are subject to termination under the revised moratorium, as of December 1, 2020, the standard winter service moratorium will be in effect until April 1, 2021, which will render service termination for delinquent accounts impractical during that period. Additionally, the October 13, 2020 order authorizes utilities to create a regulatory asset for any incremental expenses incurred above those embedded in rates resulting from the directives contained in the Order. As of December 31, 2020, \$5.4 million of incremental bad debt expense was deferred to a regulatory asset.

On March 16, 2020, the VSCC ordered a moratorium on service disconnections for unpaid bills due to the effects of the COVID-19 pandemic. The order also suspended late payment fees, required utilities to offer payment plans of up to 12 months, and required utilities to provide certain information about customer accounts receivables to the VSCC. Columbia of Virginia received an order from the VSCC on April 29, 2020 authorizing Columbia of Virginia to create a regulatory asset for incremental bad debt expense, suspended late payment fees, reconnection costs, carrying costs and other incremental prudently incurred costs related to the pandemic. The VSCC moratorium expired on October 6, 2020; however, the directives requiring utilities to offer payment plans of up to 12 months and suspending service disconnections or charging of late payment fees to customers that are current on such payment plans remain in effect. On November 18, 2020, legislation was enacted that extended the moratorium on residential service disconnections and late payment fees until the Governor determines that the economic and public health conditions have improved such that the prohibition does not need to be in place, or until at least 60 days after such declared state of emergency ends, whichever is sooner. Recovery of any regulatory asset will be addressed in future base rate proceedings and is subject to an earnings test review.

On August 31, 2020, the Maryland PSC issued an emergency order that extended the Governor's order prohibiting residential service terminations through October 1, 2020. The emergency order also requires Maryland utilities that proceed with residential service terminations after that date to provide at least 45 days notice prior to terminating service; to offer structured payment plans to applicable residential customers with a minimum of 12 months to repay, or 24 months for certified low income customers; the requirement or collection of down payments or deposits as a condition of beginning a payment plan by any residential customer; and cannot refuse to negotiate or deny a payment plan to a residential customer due to such customer's failure to meet the terms and conditions of an alternate payment plan during the past 18 months. Columbia of Maryland received an order issued by the Maryland PSC on April 9, 2020, authorizing Maryland utilities to create a regulatory asset for incremental COVID-19 pandemic-related costs, including incremental bad debt expense, incurred to ensure that customers have essential utility service during the state of emergency in Maryland. Such incremental costs must be offset by any benefit

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

received in connection with the pandemic. As of December 31, 2020, Columbia of Maryland has deferred \$0.7 million of incremental bad debt expense and pandemic-related costs to a regulatory asset.

Columbia of Kentucky received an order from the Kentucky PSC on September 21, 2020 lifting the disconnection moratorium for all customers, effective October 20, 2020. The September 21, 2020 order also lifted the suspension of late payment and reconnection fees for non-residential customers as of October 20, 2020. For residential customers, the moratorium on late payment and reconnection fees is extended to December 31, 2020 and tracking of lost revenue is required. Residential customers with accumulated arrearages for service provided on or after March 16, 2020 through October 1, 2020 will be notified and placed on a default payment plan of equal installments for nine months beginning with the November 2020 billing cycle. Residential customers on a payment plan that default shall be offered another payment plan. Carrying charges may be applied to all arrearages arising during the default payment plan period at a rate no greater than the utility's long-term debt rate. The Kentucky PSC order allows Columbia of Kentucky to create a regulatory asset for carrying charges on all arrearages arising during the default payment plan period. As of December 31, 2020, an immaterial amount of carrying charges were deferred to a regulatory asset.

10. Risk Management Activities

We are exposed to certain risks related to our ongoing business operations; namely commodity price risk and interest rate risk. We recognize that the prudent and selective use of derivatives may help to lower our cost of debt capital, manage interest rate exposure and limit volatility in the price of natural gas.

Risk management assets and liabilities on our derivatives are presented on the Consolidated Balance Sheets as shown below:

December 31, (in millions)	2020	2019
Risk Management Assets - Current⁽¹⁾		
Interest rate risk programs	\$ —	\$ —
Commodity price risk programs	10.4	0.6
Total	\$ 10.4	\$ 0.6
Risk Management Assets - Noncurrent⁽²⁾		
Interest rate risk programs	\$ —	\$ —
Commodity price risk programs	2.8	3.8
Total	\$ 2.8	\$ 3.8
Risk Management Liabilities - Current		
Interest rate risk programs	\$ 70.9	\$ —
Commodity price risk programs	7.3	12.6
Total	\$ 78.2	\$ 12.6
Risk Management Liabilities - Noncurrent		
Interest rate risk programs	\$ 99.5	\$ 76.2
Commodity price risk programs	45.1	57.8
Total	\$ 144.6	\$ 134.0

⁽¹⁾Presented in "Prepayments and other" on the Consolidated Balance Sheets.

⁽²⁾Presented in "Deferred charges and other" on the Consolidated Balance Sheets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Commodity Price Risk Management

We, along with our utility customers, are exposed to variability in cash flows associated with natural gas purchases and volatility in natural gas prices. We purchase natural gas for sale and delivery to our retail, commercial and industrial customers, and for most customers the variability in the market price of gas is passed through in their rates. Some of our utility subsidiaries offer programs whereby variability in the market price of gas is assumed by the respective utility. The objective of our commodity price risk programs is to mitigate the gas cost variability, for us or on behalf of our customers, associated with natural gas purchases or sales by economically hedging the various gas cost components using a combination of futures, options, forwards or other derivative contracts.

NIPSCO received IURC approval to lock in a fixed price for its natural gas customers using long-term forward purchase instruments. The term of these instruments range from five to 10 years and is limited to 20% of NIPSCO's average annual GCA purchase volume. Gains and losses on these derivative contracts are deferred as regulatory liabilities or assets and are remitted to or collected from customers through NIPSCO's quarterly GCA mechanism. These instruments are not designated as accounting hedges.

Interest Rate Risk Management

As of December 31, 2020, we have two forward-starting interest rate swaps with an aggregate notional value totaling \$500.0 million to hedge the variability in cash flows attributable to changes in the benchmark interest rate during the periods from the effective dates of the swaps to the anticipated dates of forecasted debt issuances, which are expected to take place by the end of 2024. These interest rate swaps are designated as cash flow hedges. The gains and losses related to these swaps are recorded to AOCI and will be recognized in "Interest expense, net" concurrently with the recognition of interest expense on the associated debt, once issued. If it becomes probable that a hedged forecasted transaction will no longer occur, the accumulated gains or losses on the derivative will be recognized currently in "Other, net" in the Statements of Consolidated Income (Loss).

The passage of the TCJA and Greater Lawrence Incident led to significant changes to our long-term financing plan. As a result, during 2018, we settled forward-starting interest rate swaps with a notional value of \$750.0 million. These derivative contracts were accounted for as cash flow hedges. As part of the transactions, the associated net unrealized gain of \$46.2 million was recognized immediately in "Other, net" in the Statements of Consolidated Income (Loss) as it became probable the forecasted borrowing transactions would no longer occur.

There were no amounts excluded from effectiveness testing for derivatives in cash flow hedging relationships at December 31, 2020, 2019 and 2018.

Our derivative instruments measured at fair value as of December 31, 2020 and 2019 do not contain any credit-risk-related contingent features.

11. Income Taxes

Income Tax Expense. The components of income tax expense (benefit) were as follows:

Year Ended December 31, (in millions)	2020	2019	2018
Income Taxes			
Current			
Federal	\$ 0.2	\$ —	\$ —
State	11.7	5.2	8.2
Total Current	11.9	5.2	8.2
Deferred			
Federal	(0.4)	110.7	(209.4)
State	(27.4)	9.0	22.2
Total Deferred	(27.8)	119.7	(187.2)
Deferred Investment Credits	(1.2)	(1.4)	(1.0)
Income Taxes	\$ (17.1)	\$ 123.5	\$ (180.0)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Statutory Rate Reconciliation. The following table represents a reconciliation of income tax expense at the statutory federal income tax rate to the actual income tax expense from continuing operations:

Year Ended December 31, (in millions)	2020		2019		2018	
Book income (loss) before income taxes	\$ (31.3)		\$ 506.6		\$ (230.6)	
Tax expense (benefit) at statutory federal income tax rate	(6.6)	21.0 %	106.5	21.0 %	(48.4)	21.0 %
Increases (reductions) in taxes resulting from:						
State income taxes, net of federal income tax benefit	(11.7)	37.4	10.1	2.0	24.7	(10.7)
Amortization of regulatory liabilities	(38.4)	122.7	(29.4)	(5.8)	(29.3)	12.7
Goodwill impairment	—	—	43.0	8.5	—	—
Fines and penalties	11.8	(37.7)	11.5	2.3	0.2	(0.1)
Charitable contribution carryover	—	—	(2.5)	(0.5)	—	—
State regulatory proceedings	—	—	(9.5)	(1.9)	(127.8)	55.4
Employee stock ownership plan dividends and other compensation	(1.3)	4.2	(2.0)	(0.4)	(2.2)	1.0
Deferred taxes on TCJA regulatory liability divested	23.3	(74.5)	—	—	—	—
Tax accrual adjustments	8.9	(28.4)	—	—	—	—
Federal tax credits	(2.5)	8.0	—	—	—	—
Other adjustments	(0.6)	1.9	(4.2)	(0.8)	2.8	(1.2)
Income Taxes	\$ (17.1)	54.6 %	\$ 123.5	24.4 %	\$ (180.0)	78.1 %

The effective income tax rates were 54.6%, 24.4% and 78.1% in 2020, 2019 and 2018, respectively. The difference in tax expense year-over-year has a relative impact on the effective tax rate proportional to pretax income or loss. The 30.2% increase in effective tax rate in 2020 versus 2019 was primarily the result of lower pre-tax income, state jurisdictional mix of pre-tax loss in 2020 tax effected at statutory tax rates and increased amortization of excess deferred federal income taxes in 2020 compared to 2019. These items were offset by increased deferred tax expense recognized on the sale of Columbia of Massachusetts' regulatory liability, established due to TCJA in 2017, that would have otherwise been recognized over the amortization period, non-deductible penalties as described in Note 1, "Company Structure and Principles of Consolidation" and non-cash impairment of goodwill related to Columbia of Massachusetts in 2019 (see Note 7, "Goodwill and Other Intangible Assets" for additional information), and one-time tax accrual adjustments.

The 53.7% decrease in effective tax rate in 2019 versus 2018 was primarily the result of not having significant income tax decreases resulting from state regulatory proceedings as in 2018. Additionally, there was an increase in the effective tax rate related to the non-cash impairment of goodwill in 2019 related to Columbia of Massachusetts (see Note 7, "Goodwill and Other Intangible Assets" for additional information) and non-deductible fines and penalties related to the Greater Lawrence Incident (see Note 20, "Legal Proceedings" for additional information). The rate is also impacted by the relative impact of permanent differences on higher pre-tax income.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Net Deferred Income Tax Liability Components. Deferred income taxes result from temporary differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The principal components of our net deferred tax liability were as follows:

At December 31, (in millions)	2020	2019
Deferred tax liabilities		
Accelerated depreciation and other property differences	\$ 2,339.3	\$ 2,516.9
Other regulatory assets	331.8	381.5
Total Deferred Tax Liabilities	2,671.1	2,898.4
Deferred tax assets		
Other regulatory liabilities and deferred investment tax credits (including TCJA)	287.8	336.1
Pension and other postretirement/postemployment benefits	118.1	152.1
Net operating loss carryforward and AMT credit carryforward	602.1	765.9
Environmental liabilities	22.6	25.4
Other accrued liabilities	41.5	35.3
Other, net	128.4	98.3
Total Deferred Tax Assets	1,200.5	1,413.1
Net Deferred Tax Liabilities	\$ 1,470.6	\$ 1,485.3

At December 31, 2020, we have federal net operating loss carryforwards of \$520.8 million. The federal net operating loss carryforwards are available to offset taxable income and will begin to expire in 2037. In addition, we have \$7.8 million in charitable contribution carryforwards to offset future taxable income, which begin to expire in 2023. We believe it is more likely than not that we will realize the benefit from the federal net operating loss carryforwards.

We also have \$81.4 million (net) of state net operating loss carryforwards. Depending on the jurisdiction in which the state net operating loss was generated, the carryforwards will begin to expire in 2028.

We believe it is more likely than not that a portion of the benefit from certain state NOL carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance of \$6.4 million (net) on the deferred tax assets related to sale of Massachusetts Business assets (see Note 1, "Company Structure and Principles of Consolidation" for additional information) reflected in the state net operating loss carryforward presented above.

Unrecognized Tax Benefits. A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

Reconciliation of Unrecognized Tax Benefits (in millions)	2020	2019	2018
Unrecognized Tax Benefits - Opening Balance	\$ 23.2	\$ 1.2	\$ 1.4
Gross decreases - tax positions in prior period	(1.5)	(0.6)	(0.4)
Gross increases - current period tax positions	—	22.6	0.2
Unrecognized Tax Benefits - Ending Balance	\$ 21.7	\$ 23.2	\$ 1.2
Offset for net operating loss carryforwards	(21.7)	(22.6)	—
Balance - Less Net Operating Loss Carryforwards	\$ —	\$ 0.6	\$ 1.2

In 2020, we resolved prior unrecognized tax benefits of \$1.5 million.

We present accrued interest on unrecognized tax benefits, accrued interest on other income tax liabilities and tax penalties in "Income Taxes" on our Statements of Consolidated Income (Loss). Interest expense recorded on unrecognized tax benefits and other income tax liabilities was immaterial for all periods presented. There were no accruals for penalties recorded in the Statements of Consolidated Income (Loss) for the years ended December 31, 2020, 2019 and 2018, and there were no balances for accrued penalties recorded on the Consolidated Balance Sheets as of December 31, 2020 and 2019.

We are subject to income taxation in the United States and various state jurisdictions, primarily Indiana, Pennsylvania, Kentucky, Massachusetts, Maryland and Virginia.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

We participate in the IRS CAP, which provides the opportunity to resolve tax matters with the IRS before filing each year's consolidated federal income tax return. As of December 31, 2020, tax years through 2019 have been audited and are effectively closed to further assessment. The audit of tax year 2020 under the CAP program is expected to be completed in 2021.

The statute of limitations in each of the state jurisdictions in which we operate remains open until the years are settled for federal income tax purposes, at which time amended state income tax returns reflecting all federal income tax adjustments are filed. As of December 31, 2020, there were no state income tax audits in progress that would have a material impact on the consolidated financial statements.

12. Pension and Other Postretirement Benefits

We provide defined contribution plans and noncontributory defined benefit retirement plans that cover certain of our employees. Benefits under the defined benefit retirement plans reflect the employees' compensation, years of service and age at retirement. Additionally, we provide health care and life insurance benefits for certain retired employees. The majority of employees may become eligible for these benefits if they reach retirement age while working for us. The expected cost of such benefits is accrued during the employees' years of service. Current rates of rate-regulated companies include postretirement benefit costs, including amortization of the regulatory assets that arose prior to inclusion of these costs in rates. For most plans, cash contributions are remitted to grantor trusts.

Our Pension and Other Postretirement Benefit Plans' Asset Management. The Board has delegated oversight of the pension and other postretirement benefit plans' assets to an Administrative & Investment Management Committee ("the Committee"). The Committee has adopted investment policy statements for the pension and other postretirement benefit plans' assets. For the pension plans, we employ a liability-driven investing strategy. A total return approach is utilized for the other postretirement benefit plans' assets. A mix of diversified investments are used to maximize the long-term return of plan assets and hedge the liabilities at a prudent level of risk. The investment portfolio includes U.S. and non-U.S. equities, real estate, long-term and intermediate-term fixed income and alternative investments. Risk tolerance is established through careful consideration of plan liabilities, funded status, and asset class volatility. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies.

In determining the expected long-term rate of return on plan assets, historical markets are studied, relationships between equities and fixed income are analyzed and current market factors, such as inflation and interest rates are evaluated with consideration of diversification and rebalancing. Our expected long-term rate of return on assets is based on assumptions regarding target asset allocations and corresponding long-term capital market assumptions for each asset class. The pension plans' investment policy calls for a gradual reduction in the allocation of return-seeking assets (equities, real estate and private equity) and a corresponding increase in the allocation of liability-hedging assets (fixed income) as the funded status of the plans' increase.

As of December 31, 2020, the asset mix and acceptable minimum and maximum ranges established by the policy for the pension and other postretirement benefit plans are as follows:

Asset Mix Policy of Funds:

Asset Category	Defined Benefit Pension Plan		Postretirement Benefit Plan	
	Minimum	Maximum	Minimum	Maximum
Domestic Equities	12%	32%	0%	55%
International Equities	6%	16%	0%	25%
Fixed Income	59%	71%	20%	100%
Real Estate	0%	7%	0%	0%
Private Equity	0%	5%	0%	0%
Short-Term Investments	0%	10%	0%	10%

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

As of December 31, 2019, the asset mix and acceptable minimum and maximum ranges established by the policy for the pension and other postretirement benefit plans were as follows:

Asset Mix Policy of Funds:

Asset Category	Defined Benefit Pension Plan		Postretirement Benefit Plan	
	Minimum	Maximum	Minimum	Maximum
Domestic Equities	12%	32%	0%	55%
International Equities	6%	16%	0%	25%
Fixed Income	59%	71%	20%	100%
Real Estate	0%	7%	0%	0%
Private Equity	0%	5%	0%	0%
Short-Term Investments	0%	10%	0%	10%

Pension Plan and Postretirement Plan Asset Mix at December 31, 2020 and December 31, 2019:

Asset Class (in millions)	Defined Benefit Pension Assets		December 31, 2020		Postretirement Benefit Plan Assets		December 31, 2020	
	Asset Value	% of Total Assets	Asset Value	% of Total Assets	Asset Value	% of Total Assets	Asset Value	% of Total Assets
Domestic Equities	\$ 446.3			21.0 %	\$ 108.8			38.0 %
International Equities	230.1			10.9 %	48.2			16.8 %
Fixed Income	1,291.2			61.0 %	122.0			42.6 %
Real Estate	52.9			2.5 %	—			—
Cash/Other	97.2			4.6 %	7.4			2.6 %
Total	\$ 2,117.7			100.0 %	\$ 286.4			100.0 %

Asset Class (in millions)	Defined Benefit Pension Assets		December 31, 2019		Postretirement Benefit Plan Assets		December 31, 2019	
	Asset Value	% of Total Assets	Asset Value	% of Total Assets	Asset Value	% of Total Assets	Asset Value	% of Total Assets
Domestic Equities	\$ 446.4			21.5 %	\$ 93.8			35.9 %
International Equities	205.0			9.9 %	40.7			15.6 %
Fixed Income	1,337.2			64.2 %	119.5			45.7 %
Real Estate	53.9			2.6 %	—			—
Cash/Other	38.4			1.8 %	7.4			2.8 %
Total	\$ 2,080.9			100.0 %	\$ 261.4			100.0 %

The categorization of investments into the asset classes in the tables above are based on definitions established by our Benefits Committee.

Fair Value Measurements. The following table sets forth, by level within the fair value hierarchy, the pension and other postretirement benefits investment assets at fair value as of December 31, 2020 and 2019. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. There were no investment assets in the pension and other postretirement benefits trusts classified within Level 3 for the years ended December 31, 2020 and 2019.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Valuation Techniques Used to Determine Fair Value:

Level 1 Measurements

Most common and preferred stocks are traded in active markets on national and international securities exchanges and are valued at closing prices on the last business day of each period presented. Cash is stated at cost which approximates fair value, with the exception of cash held in foreign currencies which fluctuates with changes in the exchange rates. Short-term bills and notes are priced based on quoted market values.

Level 2 Measurements

Most U.S. Government Agency obligations, mortgage/asset-backed securities, and corporate fixed income securities are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. To the extent that quoted prices are not available, fair value is determined based on a valuation model that includes inputs such as interest rate yield curves and credit spreads. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Other fixed income includes futures and options which are priced on bid valuation or settlement pricing.

Level 3 Measurements

Investments with unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities are classified as level 3 investments.

Not Classified

Commingled funds, private equity limited partnerships and real estate partnerships hold underlying investments that have prices derived from quoted prices in active markets and are not classified within the fair value hierarchy. Instead, these assets are measured at estimated fair value using the net asset value per share of the investments. Commingled funds' underlying assets are principally marketable equity and fixed income securities. Units held in commingled funds are valued at the unit value as reported by the investment managers. Private equity and real estate funds invest in natural resources, commercial real estate and distressed real estate. The fair value of these investments is determined by reference to the funds' underlying assets.

For the year ended December 31, 2020, there were no significant changes to valuation techniques to determine the fair value of our pension and other postretirement benefits' assets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Fair Value Measurements at December 31, 2020:

<i>(in millions)</i>	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension plan assets:				
Cash	\$ 11.9	\$ 11.9	\$ —	\$ —
Equity securities				
U.S. equities	2.4	2.4	—	—
Fixed income securities				
Government	243.4	—	243.4	—
Corporate	692.6	—	692.6	—
Mutual Funds				
U.S. multi-strategy	161.3	161.3	—	—
International equities	55.4	55.4	—	—
Fixed income	0.1	0.1	—	—
Private equity limited partnerships⁽³⁾				
U.S. multi-strategy ⁽¹⁾	10.9	—	—	—
International multi-strategy ⁽²⁾	6.6	—	—	—
Distressed opportunities	0.3	—	—	—
Real estate	52.9	—	—	—
Commingled funds⁽³⁾				
Short-term money markets	78.8	—	—	—
U.S. equities	279.7	—	—	—
International equities	176.8	—	—	—
Fixed income	337.6	—	—	—
Pension plan assets subtotal	2,110.7	231.1	936.0	—
Other postretirement benefit plan assets:				
Mutual funds				
U.S. multi-strategy	94.8	94.8	—	—
International equities	24.1	24.1	—	—
Fixed income	121.8	121.8	—	—
Commingled funds⁽³⁾				
Short-term money markets	7.6	—	—	—
U.S. equities	14.0	—	—	—
International equities	24.1	—	—	—
Other postretirement benefit plan assets subtotal	286.4	240.7	—	—
Due to brokers, net ⁽⁴⁾	(1.6)	—	(1.6)	—
Accrued income/dividends	8.6	8.6	—	—
Total pension and other postretirement benefit plan assets	\$ 2,404.1	\$ 480.4	\$ 934.4	\$ —

⁽¹⁾This class includes limited partnerships/fund of funds that invest in a diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily inside the United States.

⁽²⁾This class includes limited partnerships/fund of funds that invest in diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily outside the United States.

⁽³⁾This class of investments is measured at fair value using the net asset value per share and has not been classified in the fair value hierarchy.

⁽⁴⁾This class represents pending trades with brokers.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

The table below sets forth a summary of unfunded commitments, redemption frequency and redemption notice periods for certain investments that are measured at fair value using the net asset value per share for the year ended December 31, 2020:

<i>(in millions)</i>	Fair Value	Redemption Frequency	Redemption Notice Period
Commingled Funds			
Short-term money markets	\$ 86.4	Daily	1 day
U.S. equities	293.7	Daily	1-5 days
International equities	200.9	Monthly	10-30 days
Fixed income	337.6	Daily	3 days
Total	\$ 918.6		

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NISOURCE INC.

Notes to Consolidated Financial Statements

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Fair Value Measurements at December 31, 2019:

<i>(in millions)</i>	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pension plan assets:				
Cash	\$ 6.7	\$ 6.7	\$ —	\$ —
Fixed income securities				
Government	319.6	—	319.6	—
Corporate	651.8	—	651.8	—
Mutual Funds				
U.S. multi-strategy	140.5	140.5	—	—
International equities	56.9	56.9	—	—
Private equity limited partnerships⁽³⁾				
U.S. multi-strategy ⁽¹⁾	14.0	—	—	—
International multi-strategy ⁽²⁾	8.5	—	—	—
Distressed opportunities	0.5	—	—	—
Real Estate	53.9	—	—	—
Commingled funds⁽³⁾				
Short-term money markets	14.8	—	—	—
U.S. equities	305.9	—	—	—
International equities	148.1	—	—	—
Fixed income	351.8	—	—	—
Pension plan assets subtotal	2,073.0	204.1	971.4	—
Other postretirement benefit plan assets:				
Mutual funds				
U.S. multi-strategy	81.7	81.7	—	—
International equities	20.6	20.6	—	—
Fixed income	119.2	119.2	—	—
Commingled funds⁽³⁾				
Short-term money markets	7.7	—	—	—
U.S. equities	12.1	—	—	—
International equities	20.1	—	—	—
Other postretirement benefit plan assets subtotal	261.4	221.5	—	—
Due to brokers, net ⁽⁴⁾	(2.8)	—	(2.8)	—
Accrued income/dividends	10.7	10.7	—	—
Total pension and other postretirement benefit plan assets	\$ 2,342.3	\$ 436.3	\$ 968.6	\$ —

⁽¹⁾This class includes limited partnerships/fund of funds that invest in a diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily inside the United States.

⁽²⁾This class includes limited partnerships/fund of funds that invest in diverse portfolio of private equity strategies, including buy-outs, venture capital, growth capital, special situations and secondary markets, primarily outside the United States.

⁽³⁾This class of investments is measured at fair value using the net asset value per share and has not been classified in the fair value hierarchy.

⁽⁴⁾This class represents pending trades with brokers.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2019:

	Balance at January 1, 2019	Transfers out (Level 3) ⁽¹⁾	Balance at December 31, 2019
Private equity limited partnerships			
U.S. multi-strategy	18.5	(18.5)	—
International multi-strategy	12.5	(12.5)	—
Distress opportunities	2.4	(2.4)	—
Real estate	52.7	(52.7)	—
Total	\$ 86.1	\$ (86.1)	\$ —

⁽¹⁾Level 3 assets from 2018 were reclassified in the 2019 presentation and included within the fair value hierarchy table as of December 31, 2019 as "Not Classified" investments for which fair value is measured using net asset value per share, consistent with the definitions described above.

The table below sets forth a summary of unfunded commitments, redemption frequency and redemption notice periods for certain investments that are measured at fair value using the net asset value per share for the year ended December 31, 2019:

<i>(in millions)</i>	Fair Value	Redemption Frequency	Redemption Notice Period
Commingled Funds			
Short-term money markets	\$ 22.5	Daily	1 day
U.S. equities	318.0	Monthly	3 days
International equities	168.2	Monthly	10-30 days
Fixed income	351.8	Daily	3 days
Total	\$ 860.5		

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Our Pension and Other Postretirement Benefit Plans' Funded Status and Related Disclosure. The following table provides a reconciliation of the plans' funded status and amounts reflected in our Consolidated Balance Sheets at December 31 based on a December 31 measurement date:

(in millions)	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
Change in projected benefit obligation⁽¹⁾				
Benefit obligation at beginning of year	\$ 2,130.5	\$ 1,981.3	\$ 576.5	\$ 492.5
Service cost	32.0	29.2	6.6	5.1
Interest cost	51.6	72.3	15.4	19.2
Plan participants' contributions	—	—	4.1	4.8
Plan amendments	—	—	—	5.1
Actuarial loss ⁽²⁾	140.1	204.3	24.8	88.8
Benefits paid	(174.5)	(156.6)	(37.0)	(39.5)
Estimated benefits paid by incurred subsidy	—	—	0.4	0.5
Spinoff to Eversource	(121.3)	—	—	—
Projected benefit obligation at end of year	\$ 2,058.4	\$ 2,130.5	\$ 590.8	\$ 576.5
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 2,080.9	\$ 1,867.7	\$ 261.4	\$ 216.3
Actual return on plan assets	329.9	366.8	36.3	56.9
Employer contributions	2.9	2.9	21.6	23.0
Plan participants' contributions	—	—	4.1	4.7
Benefits paid	(174.6)	(156.5)	(37.0)	(39.5)
Spinoff to Eversource	(121.4)	—	—	—
Fair value of plan assets at end of year	\$ 2,117.7	\$ 2,080.9	\$ 286.4	\$ 261.4
Funded Status at end of year	\$ 59.3	\$ (49.6)	\$ (304.4)	\$ (315.1)
Amounts recognized in the statement of financial position consist of:				
Noncurrent assets	91.4	8.2	—	—
Current liabilities	(2.9)	(3.0)	(0.9)	(0.8)
Noncurrent liabilities	(29.2)	(54.8)	(303.5)	(314.3)
Net amount recognized at end of year⁽³⁾	\$ 59.3	\$ (49.6)	\$ (304.4)	\$ (315.1)
Amounts recognized in accumulated other comprehensive income or regulatory asset/liability⁽⁴⁾				
Unrecognized prior service credit	\$ 0.3	\$ 3.0	\$ (10.1)	\$ (10.7)
Unrecognized actuarial loss	497.2	652.8	116.4	118.4
Net amount recognized at end of year	\$ 497.5	\$ 655.8	\$ 106.3	\$ 107.7

⁽¹⁾The change in benefit obligation for Pension Benefits represents the change in Projected Benefit Obligation while the change in benefit obligation for Other Postretirement Benefits represents the change in accumulated postretirement benefit obligation.

⁽²⁾The pension actuarial loss was primarily driven by the decrease in the discount rate, offset by the change in mortality assumptions. The other postretirement benefits loss was also primarily driven by a decrease in discount rates, offset by favorable claims experienced and a change in the mortality assumptions.

⁽³⁾We recognize our Consolidated Balance Sheets underfunded and overfunded status of our various defined benefit postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation.

⁽⁴⁾We determined that for certain rate-regulated subsidiaries the future recovery of pension and other postretirement benefits costs is probable. These rate-regulated subsidiaries recorded regulatory assets and liabilities of \$583.3 million and zero, respectively, as of December 31, 2020, and \$739.1 million and \$0.1 million, respectively, as of December 31, 2019 that would otherwise have been recorded to accumulated other comprehensive loss.

Our accumulated benefit obligation for our pension plans was \$2,036.8 million and \$2,111.5 million as of December 31, 2020 and 2019, respectively. The accumulated benefit obligation at each date is the actuarial present value of benefits attributed by the pension benefit formula to employee service rendered prior to that date and based on current and past compensation levels. The accumulated benefit obligation differs from the projected benefit obligation disclosed in the table above in that it includes no assumptions about future compensation levels.

We are required to reflect the funded status of our pension and postretirement benefit plans on the Consolidated Balance Sheet. The funded status of the plans is measured as the difference between the plan assets' fair value and the projected benefit

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

obligation. We present the noncurrent aggregate of all underfunded plans within "Accrued liability for postretirement and postemployment benefits." The portion of the amount by which the actuarial present value of benefits included in the projected benefit obligation exceeds the fair value of plan assets, payable in the next 12 months, is reflected in "Accrued compensation and other benefits." We present the aggregate of all overfunded plans within "Deferred charges and other."

Information for pension plans with a projected benefit obligation in excess of plan assets:

	December 31,	
	2020 ⁽¹⁾	2019
Accumulated Benefit Obligation	\$ 32.1	\$ 1,473.9
Funded Status		
Projected Benefit Obligation	32.1	1,492.9
Fair Value of Plan Assets	—	1,435.1
Funded Status of Underfunded Pension Plans at End of Year	\$ (32.1)	\$ (57.8)

(1)As of December 31, 2020, only our nonqualified plans were underfunded. These plans have no assets as they are not funded until benefits are paid.

Information for pension plans with plan assets in excess of the projected benefit obligation:

	December 31,	
	2020	2019
Accumulated Benefit Obligation	\$ 2,004.7	\$ 637.6
Funded Status		
Projected Benefit Obligation	2,026.3	637.6
Fair Value of Plan Assets	2,117.7	645.8
Funded Status of Overfunded Pension Plans at End of Year	\$ 91.4	\$ 8.2

Our pension plans were overfunded, in aggregate, by \$59.3 million at December 31, 2020 compared to being underfunded by \$49.6 million at December 31, 2019. The improvement in the funded status was due primarily to favorable asset returns offset by a decrease in discount rates. We contributed \$2.9 million to our pension plans in both 2020 and 2019.

Our other postretirement benefit plans were underfunded by \$304.4 million at December 31, 2020 compared to being underfunded by \$315.1 million at December 31, 2019. The change in funded status was primarily due to favorable asset returns offset by a decrease in discount rates. We contributed \$21.6 million and \$23.0 million to our other postretirement benefit plans in 2020 and 2019, respectively.

In 2020 and 2019, some of our qualified pension plans paid lump sum payouts in excess of the respective plan's service cost plus interest cost, thereby meeting the requirement for settlement accounting. We recorded settlement charges of \$10.5 million and \$9.5 million in 2020 and 2019, respectively. Net periodic pension benefit cost for 2020 was decreased by \$1.4 million as a result of the interim remeasurement.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

The following table provides the key assumptions that were used to calculate the pension and other postretirement benefits obligations for our various plans as of December 31:

	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
Weighted-average assumptions to Determine Benefit Obligation				
Discount Rate	2.38 %	3.12 %	2.49 %	3.21 %
Rate of Compensation Increases	4.00 %	4.00 %	—	—
Interest Crediting Rates	4.00 %	4.00 %	—	—
Health Care Trend Rates				
Trend for Next Year	—	—	6.69 %	6.68 %
Ultimate Trend	—	—	4.50 %	4.50 %
Year Ultimate Trend Reached	—	—	2029	2028

We expect to make contributions of approximately \$2.9 million to our pension plans and approximately \$21.8 million to our postretirement medical and life plans in 2021.

The following table provides benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter. The expected benefits are estimated based on the same assumptions used to measure our benefit obligation at the end of the year and include benefits attributable to the estimated future service of employees:

(in millions)	Pension Benefits	Other Postretirement Benefits	Federal Subsidy Receipts
Year(s)			
2021	\$ 218.8	\$ 38.4	\$ 0.4
2022	154.5	37.8	0.4
2023	149.2	37.3	0.4
2024	145.9	37.0	0.4
2025	141.3	36.6	0.3
2026-2030	621.9	172.1	1.2

The following table provides the components of the plans' actuarially determined net periodic benefits cost for each of the three years ended December 31, 2020, 2019 and 2018:

(in millions)	Pension Benefits			Other Postretirement Benefits		
	2020	2019	2018	2020	2019	2018
Components of Net Periodic Benefit Cost⁽¹⁾						
Service cost	\$ 32.0	\$ 29.2	\$ 31.3	\$ 6.6	\$ 5.1	\$ 5.0
Interest cost	51.6	72.3	67.1	15.4	19.2	17.6
Expected return on assets	(111.6)	(108.8)	(142.3)	(14.4)	(13.1)	(14.9)
Amortization of prior service cost (credit)	0.7	0.2	(0.4)	(2.1)	(3.2)	(4.0)
Recognized actuarial loss	33.8	45.2	40.6	4.9	2.0	3.8
Settlement/curtailment loss	10.5	9.5	18.5	1.5	—	—
Total Net Periodic Benefits Cost	\$ 17.0	\$ 47.6	\$ 14.8	\$ 11.9	\$ 10.0	\$ 7.5

⁽¹⁾Service cost is presented in "Operation and maintenance" on the Statements of Consolidated Income (Loss). Non-service cost components are presented within "Other, net."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

The following table provides the key assumptions that were used to calculate the net periodic benefits cost for our various plans:

	Pension Benefits			Other Postretirement Benefits		
	2020	2019	2018	2020	2019	2018
Weighted-average Assumptions to Determine Net Periodic Benefit Cost						
Discount rate - service cost	3.39 %	4.48 %	3.79 %	3.52 %	4.59 %	3.89 %
Discount rate - interest cost	2.65 %	3.84 %	3.15 %	2.76 %	3.94 %	3.27 %
Expected Long-Term Rate of Return on Plan Assets	5.70 %	6.10 %	7.00 %	5.67 %	5.83 %	5.80 %
Rate of Compensation Increases	4.00 %	4.00 %	4.00 %	—	—	—
Interest Crediting Rates	4.00 %	4.00 %	4.00 %	—	—	—

We assumed a 5.70% and 5.67% rate of return on pension and other postretirement plan assets, respectively, for our calculation of 2020 pension benefits cost. These rates were primarily based on asset mix and historical rates of return and were adjusted in 2020 due to anticipated changes in asset allocation and projected market returns.

The following table provides other changes in plan assets and projected benefit obligations recognized in other comprehensive income or regulatory asset or liability:

<i>(in millions)</i>	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Other Comprehensive Income or Regulatory Asset or Liability				
Net prior service cost	\$ —	\$ —	\$ —	\$ 5.1
Net actuarial loss (gain)	(78.2)	(53.8)	2.9	45.1
Settlements/curtailments	(10.5)	(9.5)	(1.5)	—
Less: amortization of prior service cost	(0.7)	(0.2)	2.1	3.2
Less: amortization of net actuarial loss	(33.8)	(45.2)	(4.9)	(2.0)
Less: gain attributable to spinoff to Eversource	(33.1)	—	—	—
Less: prior service cost attributable to spinoff to Eversource	(2.0)	—	—	—
Total Recognized in Other Comprehensive Income or Regulatory Asset or Liability	\$ (158.3)	\$ (108.7)	\$ (1.4)	\$ 51.4
Amount Recognized in Net Periodic Benefits Cost and Other Comprehensive Income or Regulatory Asset or Liability	\$ (141.3)	\$ (61.1)	\$ 10.5	\$ 61.4

13. Equity

Holders of shares of our common stock are entitled to receive dividends when, as and if declared by the Board out of funds legally available. The policy of the Board has been to declare cash dividends on a quarterly basis payable on or about the 20th day of February, May, August and November. We have certain debt covenants which could potentially limit the amount of dividends the Company could pay in order to maintain compliance with these covenants. Refer to Note 15, "Long-Term Debt," for more information. As of December 31, 2020, these covenants did not restrict the amount of dividends that were available to be paid.

Dividends paid to preferred shareholders vary based on the series of preferred stock owned. Additional information is provided below. Holders of our shares of common stock are subject to the prior dividend rights of holders of our preferred stock or the

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

depository shares representing such preferred stock outstanding, and if full dividends have not been declared and paid on all outstanding shares of preferred stock in any dividend period, no dividend may be declared or paid or set aside for payment on our common stock.

Common and preferred stock activity for 2020, 2019 and 2018 is described further below.

ATM Program and Forward Sale Agreements. On May 3, 2017, we entered into four separate equity distribution agreements, pursuant to which we were able to sell up to an aggregate of \$500.0 million of our common stock.

On November 13, 2017, under the ATM program, we executed a forward agreement, which allowed us to issue a fixed number of shares at a price to be settled in the future. On November 6, 2018, the forward agreement was settled for \$26.43 per share, resulting in \$167.7 million of net proceeds. The equity distribution agreements entered into on May 3, 2017 expired December 31, 2018.

On November 1, 2018, we entered into five separate equity distribution agreements pursuant to which we were able to sell up to an aggregate of \$500.0 million of our common stock. Four of these agreements were then amended on August 1, 2019 and one was terminated, pursuant to which we may sell, from time to time, up to an aggregate of \$434.4 million of our common stock.

On December 6, 2018, under the ATM program, we executed a forward agreement, which allowed us to issue a fixed number of shares at a price to be settled in the future. From December 6, 2018 to December 10, 2018, 4,708,098 shares were borrowed from third parties and sold by the dealer at a weighted average price of \$26.55 per share. On November 21, 2019, the forward agreement was settled for \$26.01 per share, resulting in \$122.5 million of net proceeds.

On August 12, 2019, under the ATM program, we executed a forward agreement, which allowed us to issue a fixed number of shares at a price to be settled in the future. From August 12, 2019 to September 13, 2019, 3,714,400 shares were borrowed from third parties and sold by the dealer at a weighted average price of \$29.26 per share. On December 11, 2019, the forward agreement was settled for \$28.83 per share, resulting in \$107.1 million of net proceeds.

On August 6, 2020, under the ATM program, we executed a forward agreement, which allowed us to issue a fixed number of shares at a price to be settled in the future. From August 7, 2020 to September 3, 2020, 2,809,029 shares were borrowed from third parties and sold by the dealer at a weighted average price of \$23.25 per share. On December 15, 2020, the forward agreement was settled for \$22.77 per share, resulting in \$64.0 million of net proceeds.

On September 4, 2020, under the ATM program, we executed a separate forward agreement, which allowed us to issue a fixed number of shares at a price to be settled in the future. From September 4, 2020 to September 16, 2020, 1,452,102 shares were borrowed from third parties and sold by the dealer at a weighted average price of \$22.28 per share. On December 15, 2020, the forward agreement was settled for \$21.82 per share, resulting in \$31.7 million of net proceeds.

The equity distribution agreements entered into on November 1, 2018 and amended on August 1, 2019 expired December 31, 2020.

The following table summarizes our activity under the ATM program:

Year Ending December 31,	2020	2019	2018
Number of shares issued	8,459,430	8,422,498	8,883,014
Average price per share	\$ 23.60	\$ 27.75	\$ 26.85
Proceeds, net of fees (in millions)	\$ 196.5	\$ 229.1	\$ 232.5

Private Placement of Common Stock. On May 4, 2018, we completed the sale of 24,964,163 shares of \$0.01 par value common stock at a price of \$24.28 per share in a private placement to selected institutional and accredited investors. The private placement resulted in \$606.0 million of gross proceeds or \$599.6 million of net proceeds, after deducting commissions and sale expenses. The common stock issued in connection with the private placement was registered on Form S-1, filed with the SEC on May 11, 2018.

Preferred Stock. On June 11, 2018, we completed the sale of 400,000 shares of 5.650% Series A Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock (the "Series A Preferred Stock") at a price of \$1,000 per share. The transaction resulted in \$400.0 million of gross proceeds or \$393.9 million of net proceeds, after deducting commissions and sale expenses. The Series A Preferred Stock was issued in a private placement pursuant to SEC Rule 144A. On December 13, 2018, we filed a

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

registration statement with the SEC enabling holders to exchange their unregistered shares of Series A Preferred Stock for publicly registered shares with substantially identical terms.

Dividends on the Series A Preferred Stock accrue and are cumulative from the date the shares of Series A Preferred Stock were originally issued to, but not including, June 15, 2023 at a rate of 5.650% per annum of the \$1,000 liquidation preference per share. On and after June 15, 2023, dividends on the Series A Preferred Stock will accumulate for each five year period at a percentage of the \$1,000 liquidation preference equal to the five-year U.S. Treasury Rate plus (i) in respect of each five year period commencing on or after June 15, 2023 but before June 15, 2043, a spread of 2.843% (the "Initial Margin"), and (ii) in respect of each five year period commencing on or after June 15, 2043, the Initial Margin plus 1.000%. The Series A Preferred Stock may be redeemed by us at our option on June 15, 2023, or on each date falling on the fifth anniversary thereafter, or in connection with a ratings event (as defined in the Certificate of Designation of the Series A Preferred Stock).

As of December 31, 2020 and 2019, Series A Preferred Stock had \$1.0 million of cumulative preferred dividends in arrears, or \$2.51 per share.

Holders of Series A Preferred Stock generally have no voting rights, except for limited voting rights with respect to (i) potential amendments to our certificate of incorporation that would have a material adverse effect on the existing preferences, rights, powers or duties of the Series A Preferred Stock, (ii) the creation or issuance of any security ranking on a parity with the Series A Preferred Stock if the cumulative dividends payable on then outstanding Series A Preferred Stock are in arrears, or (iii) the creation or issuance of any security ranking senior to the Series A Preferred Stock. The Series A Preferred Stock does not have a stated maturity and is not subject to mandatory redemption or any sinking fund. The Series A Preferred Stock will remain outstanding indefinitely unless repurchased or redeemed by us. Any such redemption would be effected only out of funds legally available for such purposes and will be subject to compliance with the provisions of our outstanding indebtedness.

On December 5, 2018, we completed the sale of 20,000,000 depositary shares with an aggregate liquidation preference of \$500,000,000 under the Company's registration statement on Form S-3. Each depositary share represents 1/1,000th ownership interest in a share of our 6.500% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25,000 per share (equivalent to \$25 per depositary share) (the "Series B Preferred Stock"). The transaction resulted in \$500.0 million of gross proceeds or \$486.1 million of net proceeds, after deducting commissions and sale expenses.

Dividends on the Series B Preferred Stock accrue and are cumulative from the date the shares of Series B Preferred Stock were originally issued to, but not including, March 15, 2024 at a rate of 6.500% per annum of the \$25,000 liquidation preference per share. On and after March 15, 2024, dividends on the Series B Preferred Stock will accumulate for each five year period at a percentage of the \$25,000 liquidation preference equal to the five-year U.S. Treasury Rate plus (i) in respect of each five year period commencing on or after March 15, 2024 but before March 15, 2044, a spread of 3.632% (the "Initial Margin"), and (ii) in respect of each five year period commencing on or after March 15, 2044, the Initial Margin plus 1.000%. The Series B Preferred Stock may be redeemed by us at our option on March 15, 2024, or on each date falling on the fifth anniversary thereafter, or in connection with a ratings event (as defined in the Certificate of Designation of the Series B Preferred Stock).

As of December 31, 2020 and 2019, Series B Preferred Stock had \$1.4 million of cumulative preferred dividends in arrears, or \$72.23 per share.

In addition, we issued 20,000 shares of "Series B-1 Preferred Stock", par value \$0.01 per share, ("Series B-1 Preferred Stock"), as a distribution with respect to the Series B Preferred Stock. As a result, each of the depositary shares issued on December 5, 2018 now represents a 1/1,000th ownership interest in a share of Series B Preferred Stock and a 1/1,000th ownership interest in a share of Series B-1 Preferred Stock. We issued the Series B-1 Preferred Stock to enhance the voting rights of the Series B Preferred Stock to comply with the minimum voting rights policy of the New York Stock Exchange. The Series B-1 Preferred Stock is paired with the Series B Preferred Stock and may not be transferred, redeemed or repurchased except in connection with the simultaneous transfer, redemption or repurchase of a like number of shares of the underlying Series B Preferred Stock.

Holders of Series B Preferred Stock generally have no voting rights, except for limited voting rights with respect to (i) potential amendments to our certificate of incorporation that would have a material adverse effect on the existing preferences, rights, powers or duties of the Series B Preferred Stock, (ii) the creation or issuance of any security ranking on a parity with the Series B Preferred Stock if the cumulative dividends payable on then outstanding Series B Preferred Stock are in arrears, or (iii) the creation or issuance of any security ranking senior to the Series B Preferred Stock. In addition, if and whenever dividends on any shares of Series B Preferred Stock shall not have been declared and paid for at least six dividend periods, whether or not consecutive, the number of directors then constituting our Board of Directors shall automatically be increased by two until all

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

accumulated and unpaid dividends on the Series B Preferred Stock shall have been paid in full, and the holders of Series B-1 Preferred Stock, voting as a class together with the holders of any outstanding securities ranking on a parity with the Series B-1 Preferred Stock and having like voting rights that are exercisable at the time and entitled to vote thereon, shall be entitled to elect the two additional directors. The Series B Preferred Stock does not have a stated maturity and is not subject to mandatory redemption or any sinking fund. The Series B Preferred Stock will remain outstanding indefinitely unless repurchased or redeemed by us. Any such redemption would be effected only out of funds legally available for such purposes and will be subject to compliance with the provisions of our outstanding indebtedness.

The following table summarizes preferred stock by outstanding series of shares:

	Liquidation Preference Per Share	Shares	Year ended December 31,			December 31,	
			2020	2019	2018	2020	2019
<i>(in millions except shares and per share amounts)</i>			Dividends Declared Per Share			Outstanding	
5.650% Series A	\$ 1,000.00	400,000	\$ 56.50	\$ 56.50	\$ 28.88	393.9	\$ 393.9
6.500% Series B	\$ 25,000.00	20,000	\$ 1,625.00	\$ 1,674.65	\$ —	486.1	\$ 486.1

Noncontrolling Interest in Consolidated Subsidiaries. In December 2020, NIPSCO and a tax equity partner completed their initial cash contributions into the Rosewater joint venture. Earnings, tax attributes and cash flows are allocated to both NIPSCO and the tax equity partner in varying percentages by category and over the life of the partnership. The tax equity partner's contributions, net of these allocations, is represented as a noncontrolling interest within total equity on the Consolidated Balance Sheets. Refer to Note 4, "Variable Interest Entities," for more information.

14. Share-Based Compensation

Prior to May 19, 2020 we issued share-based compensation to employees and non-employee directors under the NiSource Inc. 2010 Omnibus Plan ("2010 Omnibus Plan"), which was most recently approved by stockholders at the Annual Meeting of Stockholders held on May 12, 2015. The 2010 Omnibus Plan provided for awards to employees and non-employee directors of incentive and nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards and superseded the Director Stock Incentive Plan ("Director Plan") with respect to grants made after the effective date of the 2010 Omnibus Plan.

The stockholders approved and adopted the NiSource Inc. 2020 Omnibus Incentive Plan ("2020 Omnibus Plan") at the Annual Meeting of Stockholders held on May 19, 2020. The 2020 Omnibus Plan provides for awards to employees and non-employee directors of incentive and nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards and supersedes the 2010 Omnibus Plan with respect to grants made after the effective date of the 2020 Omnibus Plan.

The 2020 Omnibus Plan provides that the number of shares of common stock of NiSource available for awards is 10,000,000 plus the number of shares subject to outstanding awards that expire or terminate for any reason that were granted under the 2020 Omnibus Plan, the 2010 Omnibus Plan or any other equity plan under which awards were outstanding as of May 19, 2020. At December 31, 2020, there were 10,007,832 shares available for future awards under the 2020 Omnibus Plan.

We recognized stock-based employee compensation expense of \$13.5 million, \$16.3 million and \$15.2 million, during 2020, 2019 and 2018, respectively, as well as related tax benefits of \$3.3 million, \$4.0 million and \$3.7 million, respectively. We recognized related excess tax expense from the distribution of vested share-based employee compensation of \$0.4 million in 2020 and excess tax benefits of \$0.8 million and \$1.0 million in 2019 and 2018, respectively.

As of December 31, 2020, the total remaining unrecognized compensation cost related to non-vested awards amounted to \$19.1 million, which will be amortized over the weighted-average remaining requisite service period of 1.9 years.

Restricted Stock Units and Restricted Stock. We granted 235,100, 166,031, and 158,689 restricted stock units and shares of restricted stock to employees, subject to service conditions in 2020, 2019, and 2018, respectively. The total grant date fair value of the restricted stock units and shares of restricted stock during 2020, 2019, and 2018, respectively, was \$6.1 million, \$4.1 million, and \$3.5 million based on the average market price of our common stock at the date of each grant less the present value of any dividends not received during the vesting period, which will be expensed over the vesting period which is generally three

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

years. As of December 31, 2020, 223,724, 135,170, and 119,333 non-vested restricted stock units and shares of restricted stock granted in 2020, 2019, and 2018, respectively.

If an employee terminates employment before the service conditions lapse under the 2018, 2019 or 2020 awards due to (1) retirement or disability (as defined in the award agreement), or (2) death, the service conditions will lapse on the date of such termination with respect to a pro rata portion of the restricted stock units and shares of restricted stock based upon the percentage of the service period satisfied between the grant date and the date of the termination of employment. In the event of a change in control (as defined in the award agreement), all unvested shares of restricted stock and restricted stock units awarded will immediately vest upon termination of employment occurring in connection with a change in control. Termination due to any other reason will result in all unvested shares of restricted stock and restricted stock units awarded being forfeited effective on the employee's date of termination.

A summary of our restricted stock unit award transactions for the year ended December 31, 2020 is as follows:

<i>(shares)</i>	Restricted Stock Units	Weighted Average Award Date Fair Value Per Unit (\$)
Non-vested at December 31, 2019	302,606	23.49
Granted	235,100	25.77
Forfeited	(38,220)	24.18
Vested	(21,259)	24.68
Non-vested at December 31, 2020	478,227	24.51

Employee Performance Shares. We granted 528,729 and 552,389 performance shares subject to service, performance and market-based vesting conditions in 2020 and 2019, respectively. We awarded 514,338 performance shares subject to similar service, performance and market conditions in 2018. The performance conditions are based on the achievement of one non-GAAP financial measure, relative total shareholder return and additional operational measures as outlined below.

The financial measure is cumulative net operating earnings per share ("NOEPS"), which we define as income from continuing operations adjusted for certain items. The number of cumulative NOEPS shares determined using this measure shall be increased or decreased based on our relative total shareholder return, a market-based vesting condition, which we define as the annualized growth in dividends and share price of a share of our common stock (calculated using a 20 trading day average of our closing price over the performance period, approximately) compared to the total shareholder return of a predetermined peer group of companies. A relative shareholder return result within the first quartile will result in an increase to the NOEPS shares of 25%, while a relative shareholder return result within the fourth quartile will result in a decrease of 25%. A Monte Carlo analysis was used to value the portion of these awards dependent on the market-based vesting condition. The grant date fair value of the NOEPS shares is based on the average market price of our common stock at the date of each grant less the present value of dividends not received during the vesting period, which will be expensed over the requisite service period of three years. See table below for further details on these awards.

If a threshold level of cumulative NOEPS financial performance is achieved, additional operational measures, which we refer to as the customer value framework and which consists of equally weighted areas of focus, apply. Each area of focus represents an equal portion of the customer value framework shares, and the targets for all areas of focus must be met for the customer value framework shares to vest at 100%. The grant date fair value of the customer value framework shares is based on the average market price of our common stock on the grant date of each award less the present value of dividends not received during the vesting period, which will be expensed over the requisite service period of three years for those customer value framework shares that are granted. See table below for further details on these awards.

For the 2020 awards, the customer value framework consists of four equally weighted areas of focus including safety, customer satisfaction, culture and environmental, each representing 25% of the customer value framework shares. For the 2019 and 2018 awards, the customer value framework consists of five equally weighted areas of focus including financial and all those noted for the 2020 awards, each representing 20% of the customer value framework shares.

For the 2018 awards, individual payout percentages for these shares may range from 0%-200% as determined by the compensation committee in its sole discretion. Due to this discretion, these shares are not considered to be granted under ASC

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

718. The service inception date fair value of the awards is based on the closing market price of our common stock on the service inception date of each award. This value will be reassessed at each reporting period to be based on our closing market price of our common stock at the reporting period date with adjustments to expense recorded as appropriate.

The following table presents details of the performance awards described above.

Award Year	Service Conditions Lapse date	Performance Period	Award Conditions	Shares outstanding at 12/31/2020 (shares)	Grant Date Fair Value (in millions)
2020	02/28/23	01/01/2020-12/31/2022	Non-GAAP Financial Measure	392,619	\$ 11.7
			Operational Measures	90,604	\$ 2.6
2019	02/28/22	01/01/2019-12/31/2021	Non-GAAP Financial Measure	384,680	\$ 11.7
			Operational Measures	88,769	\$ 2.5
2018	02/26/21	01/01/2018-12/31/2020	Non-GAAP Financial Measure	347,479	\$ 9.2
			Operational Measures ⁽¹⁾	80,185	\$ 2.4

⁽¹⁾ Grant date fair value amount represents the service inception date fair value of these awards as they are not yet granted.

A summary of our performance award transactions for the year ended December 31, 2020 is as follows:

(shares)	Performance Awards	Weighted Average Grant Date Fair Value Per Unit (\$) ⁽¹⁾
Non-vested at December 31, 2019	1,503,251	22.74
Granted	528,729	27.01
Forfeited	(118,716)	25.63
Vested	(528,928)	28.30
Non-vested at December 31, 2020	1,384,336	25.09

⁽¹⁾ 2018 performance shares awarded based on the customer value index are included at reporting date fair value as these awards have not been granted under ASC 718 as discussed above.

Non-employee Director Awards. As of May 19, 2020, awards to non-employee directors may be made only under the 2020 Omnibus Plan. Currently, restricted stock units are granted annually to non-employee directors, subject to a non-employee director's election to defer receipt of such restricted stock unit award. The non-employee director's annual award of restricted stock units vest on the first anniversary of the grant date subject to special pro-rata vesting rules in the event of retirement or disability (as defined in the award agreement), or death. The vested restricted stock units are payable as soon as practicable following vesting except as otherwise provided pursuant to the non-employee director's deferral election. Certain restricted stock units remain outstanding from the 2010 Omnibus Plan and the Director Plan. All such awards are fully vested and shall be distributed to the directors upon their separation from the Board.

As of December 31, 2020, 210,273 restricted stock units are outstanding to non-employee directors under either the 2020 Omnibus Plan, the 2010 Omnibus Plan or the Director Plan. Of this amount, 67,806 restricted stock units are unvested and expected to vest.

401(k) Match, Profit Sharing and Company Contribution. We have a voluntary 401(k) savings plan covering eligible employees that allows for periodic discretionary matches as a percentage of each participant's contributions payable in cash for nonunion employees and generally payable in shares of NiSource common stock for union employees, subject to collective bargaining. We also have a retirement savings plan that provides for discretionary profit sharing contributions similarly payable in cash or shares of NiSource common stock to eligible employees based on earnings results, and eligible employees hired after

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

January 1, 2010 receive a non-elective company contribution of 3% of eligible pay similarly payable in cash or shares of NiSource common stock. For the years ended December 31, 2020, 2019 and 2018, we recognized 401(k) match, profit sharing and non-elective contribution expense of \$37.8 million, \$37.5 million and \$37.6 million, respectively.

15. Long-Term Debt

Our long-term debt as of December 31, 2020 and 2019 is as follows:

Long-term debt type	Maturity as of December 31, 2020	Weighted average interest rate (%)	Outstanding balance as of December 31, (in millions)	
			2020	2019
Senior notes:				
NiSource	December 2021	4.45 %	—	63.6
NiSource	November 2022	2.65 %	—	500.0
NiSource	February 2023	3.85 %	—	250.0
NiSource	June 2023	3.65 %	—	350.0
NiSource	August 2025	0.95 %	1,250.0	—
NiSource	November 2025	5.89 %	—	265.0
NiSource	May 2027	3.49 %	1,000.0	1,000.0
NiSource	December 2027	6.78 %	3.0	3.0
NiSource	September 2029	2.95 %	750.0	750.0
NiSource	May 2030	3.60 %	1,000.0	—
NiSource	February 2031	1.70 %	750.0	—
NiSource	December 2040	6.25 %	152.6	250.0
NiSource	June 2041	5.95 %	347.4	400.0
NiSource	February 2042	5.80 %	250.0	250.0
NiSource	February 2043	5.25 %	500.0	500.0
NiSource	February 2044	4.80 %	750.0	750.0
NiSource	February 2045	5.65 %	500.0	500.0
NiSource	May 2047	4.38 %	1,000.0	1,000.0
NiSource	March 2048	3.95 %	750.0	750.0
Total senior notes			\$ 9,003.0	\$ 7,581.6
Medium term notes:				
NiSource	April 2022 to May 2027	7.99 %	\$ 49.0	\$ 49.0
NIPSCO	August 2022 to August 2027	7.61 %	68.0	68.0
Columbia of Massachusetts ⁽¹⁾	December 2025 to February 2028	6.37 %	15.0	40.0
Total medium term notes			\$ 132.0	\$ 157.0
Finance leases:				
NiSource Corporate Services	April 2022 to January 2025	2.19 %	49.4	22.3
NIPSCO	November 2028	1.79 %	16.0	—
Columbia of Ohio	October 2021 to March 2044	6.16 %	91.2	94.8
Columbia of Virginia	July 2029 to November 2039	6.30 %	18.4	19.1
Columbia of Kentucky	May 2027	3.79 %	0.3	0.3
Columbia of Pennsylvania	August 2027 to May 2035	5.65 %	19.7	20.7
Columbia of Massachusetts	N/A	— %	—	44.3
Total finance leases			195.0	201.5
Unamortized issuance costs and discounts			\$ (86.9)	\$ (70.5)
Total Long-Term Debt			\$ 9,243.1	\$ 7,869.6

⁽¹⁾Rate increased from 6.30% in 2019 to 6.37% in 2020 in connection with debt redemptions described below.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Details of our 2020 long-term debt related activity are summarized below:

- On April 13, 2020, we completed the issuance and sale of \$1.0 billion of 3.60% senior unsecured notes maturing in 2030, which resulted in approximately \$987.8 million of net proceeds after deducting commissions and expenses.
- On August 18, 2020, we completed the issuance and sale of \$1.25 billion of 0.95% senior unsecured notes maturing in 2025 and \$750.0 million of 1.70% senior unsecured notes maturing in 2031, which resulted in approximately \$1,980.4 million of net proceeds after deducting commissions and expenses.
- In August 2020, we executed tender offers for \$969.3 million of outstanding notes consisting of a combination of our 4.45% notes due 2021, 2.65% notes due 2022, 3.85% notes due 2023, 3.65% notes due 2023, 6.25% notes due 2040, and 5.95% notes due 2041. In August and September 2020, we redeemed \$609.3 million of outstanding notes representing the remainder of our 4.45% notes due 2021, 2.65% notes due 2022, 3.85% notes due 2023, and 3.65% notes due 2023 and all of our 5.89% notes due 2025. In conjunction with the debt retired, we recorded a \$231.8 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums.
- In September 2020, Columbia of Massachusetts redeemed \$25.0 million of its outstanding 6.26% notes due 2028. In conjunction with the debt retired, Columbia of Massachusetts recorded an \$11.7 million loss on early extinguishment of long-term debt, primarily attributable to early redemption premiums. Under the terms of the Asset Purchase Agreement, Columbia of Massachusetts' net working capital at the closing of the sale of the Massachusetts Business was increased by 50% of the debt extinguishment costs, which was approximately \$5.3 million.

Details of our 2019 long-term debt related activity are summarized below:

- On April 1, 2019, NIPSCO repaid \$41.0 million of 5.85% pollution control bonds at maturity.
- On August 12, 2019, we completed the issuance and sale of \$750.0 million of 2.95% senior unsecured notes maturing in 2029 which resulted in approximately \$742.4 million of net proceeds after deducting commissions and expenses.

See Note 20-A, "Contractual Obligations," for the outstanding long-term debt maturities at December 31, 2020.

Unamortized debt expense, premium and discount on long-term debt applicable to outstanding bonds are being amortized over the life of such bonds.

We are subject to a financial covenant under our revolving credit facility which requires us to maintain a debt to capitalization ratio that does not exceed 70%. As of December 31, 2020, the ratio was 62.5%.

We are also subject to certain other non-financial covenants under the revolving credit facility. Such covenants include a limitation on the creation or existence of new liens on our assets, generally exempting liens on utility assets, purchase money security interests, preexisting security interests and an additional subset of assets equal to \$150 million. An asset sale covenant generally restricts the sale, conveyance, lease, transfer or other disposition of our assets to those dispositions that are for a price not materially less than fair market of such assets, that would not materially impair our ability to perform obligations under the revolving credit facility, and that together with all other such dispositions, would not have a material adverse effect. The covenant also restricts dispositions to no more than 10% of our consolidated total assets on December 31, 2015. The revolving credit facility also includes a cross-default provision, which triggers an event of default under the credit facility in the event of an uncured payment default relating to any indebtedness of us or any of our subsidiaries in a principal amount of \$50.0 million or more.

Our indentures generally do not contain any financial maintenance covenants. However, our indentures are generally subject to cross-default provisions ranging from uncured payment defaults of \$5 million to \$50 million, and limitations on the incurrence of liens on our assets, generally exempting liens on utility assets, purchase money security interests, preexisting security interests and an additional subset of assets capped at 10% of our consolidated net tangible assets.

16. Short-Term Borrowings

We generate short-term borrowings from our revolving credit facility, commercial paper program, accounts receivable transfer programs and now-settled term loan borrowings. Each of these borrowing sources is described further below.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

We maintain a revolving credit facility to fund ongoing working capital requirements, including the provision of liquidity support for our commercial paper program, provide for issuance of letters of credit and also for general corporate purposes. Our revolving credit facility has a program limit of \$1.85 billion and is comprised of a syndicate of banks led by Barclays. On February 20, 2019, we extended the termination date of our revolving credit facility to February 20, 2024. At December 31, 2020 and 2019, we had no outstanding borrowings under this facility.

Our commercial paper program has a program limit of up to \$1.5 billion with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo. We had \$503.0 million and \$570.0 million of commercial paper outstanding as of December 31, 2020 and 2019, respectively.

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term borrowings on the Consolidated Balance Sheets. We had no transfers as of December 31, 2020 and \$353.2 million in transfers as of December 31, 2019, respectively. Refer to Note 19, "Transfers of Financial Assets," for additional information.

On April 1, 2020, we terminated and repaid in full our existing \$850.0 million term loan agreement with a syndicate of banks led by MUFG Bank, Ltd. and entered into a new \$850.0 million term loan agreement with a syndicate of banks led by KeyBank National Association. Any and all outstanding borrowings under the term loan agreement were due by March 31, 2021. Interest charged on borrowings depended on the variable rate structure we elected at the time of each borrowing. The available variable rate structures from which we could choose were defined in the term loan agreement. Under the agreement, we borrowed \$850.0 million on April 1, 2020 with an interest rate of LIBOR plus 75 basis points. On October 14, 2020, we terminated and repaid in full our \$850.0 million term loan agreement with proceeds from the sale of the Massachusetts Business.

Short-term borrowings were as follows:

At December 31, (in millions)	2020	2019
Commercial Paper weighted-average interest rate of 0.27% and 2.03% at December 31, 2020 and 2019, respectively	\$ 503.0	\$ 570.0
Accounts receivable securitization facility borrowings	—	353.2
Term loan interest rate of 2.40% at December 31, 2019	—	\$ 850.0
Total Short-Term Borrowings	\$ 503.0	\$ 1,773.2

Other than for the term loan, revolving credit facility and certain commercial paper borrowings, cash flows related to the borrowings and repayments of the items listed above are presented net in the Statements of Consolidated Cash Flows as their maturities are less than 90 days.

17. Leases

We adopted the provisions of ASC 842 beginning on January 1, 2019, using the transition method provided in ASU 2018-11, which was applied to all existing leases at that date. As such, results for reporting periods beginning after January 1, 2019 will be presented under ASC 842, while prior period amounts are reported in accordance with ASC 840. ASC 842 provides lessees the option of electing an accounting policy, by class of underlying asset, in which the lessee may choose not to separate nonlease components from lease components. We elected this practical expedient for our leases of fleet vehicles, IT assets and railcars. Adoption of this standard resulted in the recording of additional lease liabilities and corresponding ROU assets of \$57.0 million on our Consolidated Balance Sheets as of January 1, 2019. The standard had no material impact on our Statements of Consolidated Income (Loss) or our Statements of Consolidated Cash Flows.

Lease Descriptions. We are the lessee for substantially all of our leasing activity, which includes operating and finance leases for corporate and field offices, railcars, fleet vehicles and certain IT assets. Our corporate and field office leases have remaining lease terms between 1 and 23 years with options to renew the leases for up to 25 years. We lease railcars to transport coal to and from our electric generation facilities in Indiana. Our railcars are specifically identified in the lease agreements and have lease terms between 1 and 2 years with options to renew for 1 year. Our fleet vehicles include trucks, trailers and equipment that have been customized specifically for use in the utility industry. We lease fleet vehicles on 1 year terms, after which we have the option to extend on a month-to-month basis or terminate with written notice. ROU assets and liabilities on our Consolidated Balance Sheets do not include obligations for possible fleet vehicle lease renewals beyond the initial lease term. While we have the ability to renew these leases beyond the initial term, we are not reasonably certain (as that term is defined in ASC 842) to do

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

so. We lease the majority of our IT assets under 4 year lease terms. Ownership of leased IT assets is transferred to us at the end of the lease term.

We have not provided material residual value guarantees for our leases, nor do our leases contain material restrictions or covenants. Lease contracts containing renewal and termination options are mostly exercisable at our sole discretion. Certain of our real estate and railcar leases include renewal periods in the measurement of the lease obligation if we have deemed the renewals reasonably certain to be exercised.

With respect to service contracts involving the use of assets, if we have the right to direct the use of the asset and obtain substantially all economic benefits from the use of an asset, we account for the service contract as a lease. Unless specifically provided to us by the lessor, we utilize NiSource's collateralized incremental borrowing rate commensurate to the lease term as the discount rate for all of our leases.

Lease costs for the years ended December 31, 2020 and December 31, 2019 are presented in the table below. These costs include both amounts recognized in expense and amounts capitalized as part of the cost of another asset. Income statement presentation for these costs (when ultimately recognized on the income statement) is also included:

Year Ended December 31, (in millions)	Income Statement Classification	2020	2019
Finance lease cost			
Amortization of right-of-use assets	Depreciation and amortization	\$ 23.4	\$ 15.5
Interest on lease liabilities	Interest expense, net	11.1	11.3
Total finance lease cost		34.5	26.8
Operating lease cost	Operation and maintenance	20.3	17.9
Short-term lease cost	Operation and maintenance	—	1.0
Total lease cost		\$ 54.8	\$ 45.7

Our right-of-use assets and liabilities are presented in the following lines on the Consolidated Balance Sheets:

At December 31, (in millions)	Balance Sheet Classification	2020	2019
Assets			
Finance leases	Net Property, Plant and Equipment	\$ 176.8	\$ 179.5
Operating leases	Deferred charges and other	39.9	64.2
Total leased assets		216.7	243.7
Liabilities			
Current			
Finance leases	Current portion of long-term debt	23.3	13.4
Operating leases	Other accruals	10.3	13.2
Noncurrent			
Finance leases	Long-term debt, excluding amounts due within one year	171.7	188.1
Operating leases	Other noncurrent liabilities	29.9	51.6
Total lease liabilities		\$ 235.2	\$ 266.3

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Other pertinent information related to leases was as follows:

Year Ended December 31, (in millions)	2020		2019	
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows used for finance leases	\$	11.1	\$	11.3
Operating cash flows used for operating leases		20.2		17.9
Financing cash flows used for finance leases		18.4		10.6
Right-of-use assets obtained in exchange for lease obligations				
Finance leases		59.3		26.4
Operating leases	\$	10.9	\$	13.4
		December 31, 2020		December 31, 2019
Weighted-average remaining lease term (years)				
Finance leases		11.2		14.8
Operating leases		8.0		9.2
Weighted-average discount rate				
Finance leases		5.1 %		5.9 %
Operating leases		4.0 %		4.3 %

Maturities of our lease liabilities as of December 31, 2020 were as follows:

As of December 31, 2020, (in millions)	Total	Finance Leases	Operating Leases
2021	\$ 44.4	\$ 32.7	\$ 11.7
2022	37.4	32.2	5.2
2023	33.5	28.8	4.7
2024	25.3	20.8	4.5
2025	19.8	16.1	3.7
Thereafter	152.3	134.1	18.2
Total lease payments	312.7	264.7	48.0
Less: Imputed interest	(77.5)	(69.7)	(7.8)
Total	235.2	195.0	40.2
Reported as of December 31, 2020			
Short-term lease liabilities	33.6	23.3	10.3
Long-term lease liabilities	201.6	171.7	29.9
Total lease liabilities	\$ 235.2	\$ 195.0	\$ 40.2

There were no leases signed but not yet commenced as of December 31, 2020.

Disclosures Related to Periods Prior to Adoption of ASC 842. We lease assets in several areas of our operations including fleet vehicles and equipment, rail cars for coal delivery and certain operations centers. Payments made in connection with operating leases were \$49.1 million in 2018, and were primarily charged to operation and maintenance expense as incurred.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

18. Fair Value

A. Fair Value Measurements

Recurring Fair Value Measurements. The following tables present financial assets and liabilities measured and recorded at fair value on our Consolidated Balance Sheets on a recurring basis and their level within the fair value hierarchy as of December 31, 2020 and December 31, 2019:

Recurring Fair Value Measurements December 31, 2020 (in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2020
Assets				
Risk management assets	\$ —	\$ 13.2	\$ —	\$ 13.2
Available-for-sale securities	—	170.9	—	170.9
Total	\$ —	\$ 184.1	\$ —	\$ 184.1
Liabilities				
Risk management liabilities	\$ —	\$ 222.8	\$ —	\$ 222.8
Total	\$ —	\$ 222.8	\$ —	\$ 222.8

Recurring Fair Value Measurements December 31, 2019 (in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2019
Assets				
Risk management assets	\$ —	\$ 4.4	\$ —	\$ 4.4
Available-for-sale securities	—	154.2	—	154.2
Total	\$ —	\$ 158.6	\$ —	\$ 158.6
Liabilities				
Risk management liabilities	\$ —	\$ 146.6	\$ —	\$ 146.6
Total	\$ —	\$ 146.6	\$ —	\$ 146.6

Risk Management Assets and Liabilities. Risk management assets and liabilities include interest rate swaps, exchange-traded NYMEX futures and NYMEX options and non-exchange-based forward purchase contracts. When utilized, exchange-traded derivative contracts are based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore, nonperformance risk has not been incorporated into these valuations. Certain non-exchange-traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards, and options. In certain instances, these instruments may utilize models to measure fair value. We use a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability and market-corroborated inputs, (i.e., inputs derived principally from or corroborated by observable market data by correlation or other means). Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized within Level 2. Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized within Level 3. Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements that reduce exposures. As of December 31, 2020 and 2019, there were no material transfers between fair

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

value hierarchies. Additionally, there were no changes in the method or significant assumptions used to estimate the fair value of our financial instruments.

Credit risk is considered in the fair value calculation of each of our forward-starting interest rate swaps, as described in Note 10, "Risk Management Activities." As they are based on observable data and valuations of similar instruments, the hedges are categorized within Level 2 of the fair value hierarchy. There was no exchange of premium at the initial date of the swaps, and we can settle the contracts at any time.

NIPSCO has entered into long-term forward natural gas purchase instruments to lock in a fixed price for its natural gas customers. We value these contracts using a pricing model that incorporates market-based information when available, as these instruments trade less frequently and are classified within Level 2 of the fair value hierarchy. For additional information see Note 10, "Risk Management Activities."

Available-for-Sale Debt Securities. Available-for-sale debt securities are investments pledged as collateral for trust accounts related to our wholly-owned insurance company. We value U.S. Treasury, corporate debt and mortgage-backed securities using a matrix pricing model that incorporates market-based information. These securities trade less frequently and are classified within Level 2.

We adopted ASC 326 effective January 1, 2020. See "Recently Adopted Accounting Pronouncements" in Note 2, "Recent Accounting Pronouncements," for more information about ASC 326. Upon adoption of ASC 326, our available-for-sale debt securities impairments are recognized periodically using an allowance approach instead of an 'other than temporary' impairment model. At each reporting date, we utilize a quantitative and qualitative review process to assess the impairment of available-for-sale debt securities at the individual security level. For securities in a loss position, we evaluate our intent to sell or whether it is more-likely-than-not that we will be required to sell the security prior to the recovery of its amortized cost. If either criteria is met, the loss is recognized in earnings immediately, with the offsetting entry to the carrying value of the security. If both criteria are not met, we perform an analysis to determine whether the unrealized loss is related to credit factors. The analysis focuses on a variety of factors that include, but are not limited to, downgrade on ratings of the security, defaults in the current reporting period or projected defaults in the future, the security's yield spread over treasuries, and other relevant market data. If the unrealized loss is not related to credit factors, it is included in other comprehensive income. If the unrealized loss is related to credit factors, the loss is recognized as credit loss expense in earnings during the period, with an offsetting entry to the allowance for credit losses. The amount of the credit loss recorded to the allowance account is limited by the amount at which security's fair value is less than its amortized cost basis. If the credit losses in the allowance for credit losses are deemed uncollectible, the allowance on the uncollectible portion will be charged off, with an offsetting entry to the carrying value of the security. Subsequent improvements to the estimated credit losses of available-for-sale debt securities will be recognized immediately in earnings instead of over-time as they would under historic guidance. During the year ended December 31, 2020, we recorded \$0.5 million as an allowance for credit losses on available-for-sale debt securities as a result of the analysis described above. Continuous credit monitoring and portfolio credit balancing mitigates our risk of credit losses on our available-for-sale debt securities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

The amortized cost, gross unrealized gains and losses, allowance for credit losses, and fair value of available-for-sale securities at December 31, 2020 and 2019 were:

December 31, 2020 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses ⁽¹⁾	Allowance for Credit Losses	Fair Value
Available-for-sale debt securities					
U.S. Treasury debt securities	\$ 33.7	\$ 0.3	\$ —	\$ —	\$ 34.0
Corporate/Other debt securities	130.2	7.7	(0.5)	(0.5)	136.9
Total	\$ 163.9	\$ 8.0	\$ (0.5)	\$ (0.5)	\$ 170.9

December 31, 2019 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses ⁽²⁾	Allowance for Credit Losses	Fair Value
Available-for-sale debt securities					
U.S. Treasury debt securities	\$ 31.4	\$ 0.1	\$ (0.1)	\$ —	\$ 31.4
Corporate/Other debt securities	118.7	4.2	(0.1)	—	122.8
Total	\$ 150.1	\$ 4.3	\$ (0.2)	\$ —	\$ 154.2

⁽¹⁾ Fair value of U.S. Treasury debt securities and Corporate/Other debt securities in an unrealized loss position without an allowance for credit losses is \$0 and \$13.2 million, respectively, at December 31, 2020.

⁽²⁾ Fair value of U.S. Treasury debt securities and Corporate/Other debt securities in an unrealized loss position without an allowance for credit losses is \$17.2 million and \$12.2 million, respectively, at December 31, 2019.

Realized gains and losses on available-for-sale securities were immaterial for the year-ended December 31, 2020 and 2019.

The cost of maturities sold is based upon specific identification. At December 31, 2020, approximately \$4.9 million of U.S. Treasury debt securities and approximately \$4.3 million of Corporate/Other debt securities have maturities of less than a year.

There are no material items in the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended December 31, 2020 and 2019.

Non-recurring Fair Value Measurements. We measure the fair value of certain assets on a non-recurring basis, typically annually or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These assets include goodwill and other intangible assets.

The sale of the Massachusetts Business occurred on October 9, 2020, and the assets and liabilities of the Massachusetts Business were measured at fair value, less costs to sell. Our estimated total pre-tax loss for the year ended December 31, 2020 is \$412.4 million.

At December 31, 2019, we recorded an impairment charge of \$204.8 million for goodwill and an impairment charge of \$209.7 million for franchise rights, in each case related to Columbia of Massachusetts. For additional information, see Note 7, "Goodwill and Other Intangible Assets."

B. Other Fair Value Disclosures for Financial Instruments. The carrying amount of cash and cash equivalents, restricted cash, notes receivable, customer deposits and short-term borrowings is a reasonable estimate of fair value due to their liquid or short-term nature. Our long-term borrowings are recorded at historical amounts.

The following method and assumptions were used to estimate the fair value of each class of financial instruments.

Long-term debt. The fair value of outstanding long-term debt is estimated based on the quoted market prices for the same or similar securities. Certain premium costs associated with the early settlement of long-term debt are not taken into consideration in determining fair value. These fair value measurements are classified within Level 2 of the fair value hierarchy. For the years ended December 31, 2020 and 2019, there was no change in the method or significant assumptions used to estimate the fair value of long-term debt.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

The carrying amount and estimated fair values of these financial instruments were as follows:

At December 31, <i>(in millions)</i>	Carrying Amount 2020	Estimated Fair Value 2020	Carrying Amount 2019	Estimated Fair Value 2019
Long-term debt (including current portion)	\$ 9,243.1	\$ 11,034.2	\$ 7,869.6	\$ 8,764.4

19. Transfers of Financial Assets

Columbia of Ohio, NIPSCO and Columbia of Pennsylvania each maintain a receivables agreement whereby they transfer their customer accounts receivables to third party financial institutions through wholly-owned and consolidated special purpose entities. The three agreements expire between May 2021 and October 2021 and may be further extended if mutually agreed to by the parties thereto.

All receivables transferred to third parties are valued at face value, which approximates fair value due to their short-term nature. The amount of the undivided percentage ownership interest in the accounts receivables transferred is determined in part by required loss reserves under the agreements.

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term borrowings on the Consolidated Balance Sheets. As of December 31, 2020, the maximum amount of debt that could be recognized related to our accounts receivable programs is \$380.0 million.

The following table reflects the gross receivables balance and net receivables transferred as well as short-term borrowings related to the securitization transactions as of December 31, 2020 and 2019:

At December 31, <i>(in millions)</i>	2020	2019
Gross receivables	\$ 607.7	\$ 569.1
Less: receivables not transferred	607.7	215.9
Net receivables transferred	\$ —	\$ 353.2
Short-term debt due to asset securitization	\$ —	\$ 353.2

During 2020 and 2019, \$353.2 million and \$46.0 million, respectively, was recorded as cash flows used for financing activities related to the change in short-term borrowings due to securitization transactions. Fees associated with the securitization transactions were \$2.6 million for the years ended December 31, 2020, 2019 and 2018. Columbia of Ohio, NIPSCO and Columbia of Pennsylvania remain responsible for collecting on the receivables securitized, and the receivables cannot be transferred to another party.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

20. Other Commitments and Contingencies

A. Contractual Obligations. We have certain contractual obligations requiring payments at specified periods. The obligations include long-term debt, lease obligations, energy commodity contracts and obligations for various services including pipeline capacity and outsourcing of IT services. The total contractual obligations in existence at December 31, 2020 and their maturities were:

(in millions)	Total	2021	2022	2023	2024	2025	After
Long-term debt ⁽¹⁾	\$ 9,135.0	\$ —	\$ 30.0	\$ —	\$ —	\$ 1,260.0	\$ 7,845.0
Interest payments on long-term debt	6,046.3	336.3	335.7	334.1	334.1	334.1	4,372.0
Finance leases ⁽²⁾	264.7	32.7	32.2	28.8	20.8	16.1	134.1
Operating leases ⁽³⁾	48.0	11.7	5.2	4.7	4.5	3.7	18.2
Energy commodity contracts	42.1	42.1	—	—	—	—	—
Service obligations:							
Pipeline service obligations ⁽⁴⁾	1,495.6	468.7	422.5	256.0	150.5	56.2	141.7
IT service obligations	240.3	74.9	74.0	38.1	30.5	22.8	—
Other service obligations ⁽⁵⁾	12.6	12.6	—	—	—	—	—
Other liabilities ⁽⁶⁾	116.9	26.0	0.8	90.1	—	—	—
Total contractual obligations	\$ 17,401.5	\$ 1,005.0	\$ 900.4	\$ 751.8	\$ 540.4	\$ 1,692.9	\$ 12,511.0

⁽¹⁾ Long-term debt balance excludes unamortized issuance costs and discounts of \$86.9 million.

⁽²⁾ Finance lease payments shown above are inclusive of interest totaling \$69.7 million.

⁽³⁾ Operating lease payments shown above are inclusive of interest totaling \$7.8 million. Operating lease balances do not include obligations for possible fleet vehicle lease renewals beyond the initial lease term. While we have the ability to renew these leases beyond the initial term, we are not reasonably certain (as that term is defined in ASC 842) to do so as they are renewed month-to-month after the first year. If we were to continue the fleet vehicle leases outstanding at December 31, 2020, payments would be \$30.0 million in 2021, \$27.7 million in 2022, \$24.9 million in 2023, \$22.0 million in 2024, \$19.0 million in 2025 and \$21.5 million thereafter.

⁽⁴⁾ In February 2021, the demand rate increased for our pipeline service obligations, resulting in a total increase of \$638.6 million in addition to our future pipeline service obligations shown above.

⁽⁵⁾ On February 9, 2021, a rail transportation contract for the transportation of coal was fully executed between NIPSCO and a counterparty, replacing the prior agreement. The minimum coal tonnage shipment commitment for 2021 was eliminated under the new agreement, reducing our contractual obligation for 2021 by \$12.1 million.

⁽⁶⁾ Other liabilities shown above are inclusive of the Rosewater Developer payment due in 2023.

Purchase and Service Obligations. We have entered into various purchase and service agreements whereby we are contractually obligated to make certain minimum payments in future periods. Our purchase obligations are for the purchase of physical quantities of natural gas, electricity and coal. Our service agreements encompass a broad range of business support and maintenance functions which are generally described below.

Our subsidiaries have entered into various energy commodity contracts to purchase physical quantities of natural gas, electricity and coal. These amounts represent the minimum quantity of these commodities we are obligated to purchase at both fixed and variable prices. To the extent contractual purchase prices are variable, obligations disclosed in the table above are valued at market prices as of December 31, 2020.

NIPSCO has power purchase arrangements representing a total of 500 MW of wind power, with contracts expiring between between 2024 and 2040. No minimum quantities are specified within these agreements due to the variability of electricity generation from wind, so no amounts related to these contracts are included in the table above. Upon early termination of one of these agreements by NIPSCO for any reason (other than material breach by the counterparties), NIPSCO may be required to pay a termination charge that could be material depending on the events giving rise to termination and the timing of the termination.

We have pipeline service agreements that provide for pipeline capacity, transportation and storage services. These agreements, which have expiration dates ranging from 2021 to 2038, require us to pay fixed monthly charges.

NIPSCO has contracts with three major rail operators providing for coal transportation services for which there are certain minimum payments. These service contracts extend for various periods through 2021.

We have executed agreements with multiple IT service providers. The agreements extend for various periods through 2025.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

B. Guarantees and Indemnities. We and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries as part of normal business. Such agreements include guarantees and stand-by letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. At December 31, 2020 and 2019, we had issued stand-by letters of credit of \$15.2 million and \$10.2 million, respectively, for the benefit of third parties.

We have provided guarantees related to our future performance under BTAs for our renewable generation projects. At December 31, 2020, our guarantees for the Rosewater and Indiana Crossroads BTAs totaled \$40.7 million. The amount of each guaranty will decrease upon the substantial completion of the construction of the facilities. See "- E. Other Matters - NIPSCO 2018 Integrated Resource Plan," below for more information.

C. Legal Proceedings. On September 13, 2018, a series of fires and explosions occurred in Lawrence, Andover and North Andover, Massachusetts related to the delivery of natural gas by Columbia of Massachusetts (the "Greater Lawrence Incident"). The Greater Lawrence Incident resulted in one fatality and a number of injuries, damaged multiple homes and businesses, and caused the temporary evacuation of significant portions of each municipality. The Massachusetts Governor's Office declared a state of emergency, authorizing the Massachusetts DPU to order another utility company to coordinate the restoration of utility services in Lawrence, Andover and North Andover. The incident resulted in the interruption of gas for approximately 7,500 gas meters, the majority of which served residences and approximately 700 of which served businesses, and the interruption of other utility service more broadly in the area. Columbia of Massachusetts has replaced the cast iron and bare steel gas pipeline system in the affected area and restored service to nearly all of the gas meters. See "- E. Other Matters - Greater Lawrence Pipeline Replacement" below for more information. On September 1, 2020, the Massachusetts Governor terminated the state of emergency declared following the Greater Lawrence Incident.

We have been subject to state and federal inquiries and investigations by government authorities and regulatory agencies regarding the Greater Lawrence Incident, including the Massachusetts DPU and the Massachusetts Attorney General's Office. On February 26, 2020, the Company and Columbia of Massachusetts entered into agreements with the U.S. Attorney's Office for the District of Massachusetts to resolve the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident, as described below. The Company and Columbia of Massachusetts entered into an agreement with the Massachusetts Attorney General's Office (among other parties) to resolve the Massachusetts DPU and the Massachusetts Attorney General's Office investigations, that was approved by the Massachusetts DPU on October 7, 2020 as part of the sale of the Massachusetts Business to Eversource.

NTSB Investigation. As previously disclosed, the NTSB concluded its investigation into the Greater Lawrence Incident. On November 24, 2020, the NTSB closed NiSource's one remaining open safety recommendation.

U.S. Department of Justice Investigation. On February 26, 2020, the Company and Columbia of Massachusetts entered into agreements with the U.S. Attorney's Office to resolve the U.S. Attorney's Office's investigation relating to the Greater Lawrence Incident. Columbia of Massachusetts agreed to plead guilty in the United States District Court for the District of Massachusetts (the "Court") to violating the Natural Gas Pipeline Safety Act (the "Plea Agreement"), and the Company entered into a Deferred Prosecution Agreement (the "DPA").

On March 9, 2020, Columbia of Massachusetts entered its guilty plea pursuant to the Plea Agreement, which the Court accepted. Subsequently, Columbia of Massachusetts and the U.S. Attorney's Office modified the Plea Agreement. On June 23, 2020, the Court sentenced Columbia of Massachusetts in accordance with the terms of the modified Plea Agreement. Under the modified Plea Agreement, Columbia of Massachusetts is subject to the following terms, among others: (i) a criminal fine in the amount of \$53,030,116, which has been paid; (ii) a three year probationary period that will terminate early upon a sale of Columbia of Massachusetts or a sale of its gas distribution business to a qualified third-party buyer consistent with certain requirements, but in no event before the end of the one-year mandatory period of probation; (iii) compliance with each of the NTSB recommendations stemming from the Greater Lawrence Incident; and (iv) employment of an in-house monitor until the end of the term of probation or until the sale of Columbia of Massachusetts or its gas distribution business, whichever is earlier. On October 13, 2020, the Court, upon agreement of the U.S. Attorney's Office and Columbia Gas of Massachusetts, modified the terms of probation by ending the term of the in-house monitor.

Under the DPA, the U.S. Attorney's Office agreed to defer prosecution of the Company in connection with the Greater Lawrence Incident for a three-year period (which three-year period may be extended for twelve (12) months upon the U.S.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Attorney's Office's determination of a breach of the DPA) subject to certain obligations of the Company, including, but not limited to, the following: (i) the Company will use reasonable best efforts to sell Columbia of Massachusetts or Columbia of Massachusetts' gas distribution business to a qualified third-party buyer consistent with certain requirements, and, upon the completion of any such sale, the Company will cease and desist any and all gas pipeline and distribution activities in the District of Massachusetts; (ii) the Company will forfeit and pay, within 30 days of the later of the sale becoming final or the date on which post-closing adjustments to the purchase price are finally determined in accordance with the agreement to sell Columbia of Massachusetts or its gas distribution business, a fine equal to the total amount of the profit or gain, if any, from any sale of Columbia of Massachusetts or its gas distribution business, with the amount of profit or gain determined as provided in the DPA; and (iii) the Company agrees as to each of the Company's subsidiaries involved in the distribution of gas through pipeline facilities in Massachusetts, Indiana, Ohio, Pennsylvania, Maryland, Kentucky and Virginia to implement and adhere to each of the recommendations from the NTSB stemming from the Greater Lawrence Incident. Pursuant to the DPA, if the Company complies with all of its obligations under the DPA, including, but not limited to those identified above, the U.S. Attorney's Office will not file any criminal charges against the Company related to the Greater Lawrence Incident. If Columbia of Massachusetts withdraws its plea for any reason, if the Court rejects any aspect of the Plea Agreement, or if Columbia of Massachusetts should fail to perform an obligation under the Plea Agreement prior to the sale of Columbia of Massachusetts or its gas distribution business, the U.S. Attorney's Office may, at its sole option, render the DPA null and void. The sale of the Massachusetts Business was completed on October 9, 2020. The Company was not required to forfeit or pay any funds because the Company did not realize a profit or gain from the sale as provided in the DPA.

U.S. Federal Government Activity. On December 27, 2020, the Protecting Our Infrastructure of Pipelines and Enhancing Safety (PIPES) Act of 2020 was signed into law reauthorizing funding for federal pipeline safety programs through September 30, 2023. Among other things, the PIPES Act requires that PHMSA revise the pipeline safety regulations to require operators to update, as needed, their existing distribution integrity management plans, emergency response plans, and O&M plans. The PIPES Act also requires PHMSA to adopt new requirements for managing records and updating, as necessary existing district regulator stations to eliminate common modes of failure that can lead to overpressurization. PHMSA must also require that operators implement leak detection and repair programs that meet safety needs and consider the environment, require the use of advance leak detection practices and technologies, and require operators to be able to locate and categorize all leaks that are hazardous to human safety or the environment, or that can become hazardous. Natural gas companies, including the Company, may see increased costs depending on how PHMSA implements the new mandates resulting from the PIPES Act.

Private Actions. Various lawsuits, including several purported class action lawsuits, have been filed by various affected residents or businesses in Massachusetts state courts against the Company and/or Columbia of Massachusetts in connection with the Greater Lawrence Incident.

On July 26, 2019, the Company, Columbia of Massachusetts and NiSource Corporate Services Company, a subsidiary of the Company, entered into a term sheet with the class action plaintiffs under which they agreed to settle the class action claims in connection with the Greater Lawrence Incident. Columbia of Massachusetts agreed to pay \$143 million into a settlement fund to compensate the settlement class and the settlement class agreed to release Columbia of Massachusetts and affiliates from all claims arising out of or related to the Greater Lawrence Incident. The following claims are not covered under the proposed settlement because they are not part of the consolidated class action: (1) physical bodily injury and wrongful death; (2) insurance subrogation, whether equitable, contractual or otherwise; and (3) claims arising out of appliances that are subject to the Massachusetts DPU orders. Emotional distress and similar claims are covered under the proposed settlement unless they are secondary to a physical bodily injury. The settlement class is defined under the term sheet as all persons and businesses in the three municipalities of Lawrence, Andover and North Andover, Massachusetts, subject to certain limited exceptions. The motion for preliminary approval and the settlement documents were filed on September 25, 2019. The preliminary approval court hearing was held on October 7, 2019 and the court issued an order granting preliminary approval of the settlement on October 11, 2019. The Court granted final approval of the settlement on March 12, 2020.

With respect to claims not included in the consolidated class action, many of the asserted wrongful death and bodily injury claims have settled, and we continue to discuss potential settlements with remaining claimants. The outcomes and impacts of such private actions are uncertain at this time.

Shareholder Derivative Lawsuit. On April 28, 2020, a shareholder derivative lawsuit was filed by the City of Detroit Police and Fire Retirement System in the United States District Court for the District of Delaware against certain of our current and former directors, alleging breaches of fiduciary duty with respect to the pipeline safety management systems relating to the distribution of natural gas prior to the Greater Lawrence Incident and also including claims related to our proxy statement

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

disclosures regarding our safety systems. The remedies sought include damages for the alleged breaches of fiduciary duty, corporate governance reforms, and restitution of any unjust enrichment. The defendants have filed a motion to dismiss the lawsuit. The motion to dismiss is fully briefed. On January 5, 2021, the judge set the defendants' motion to dismiss for oral argument on March 2, 2021. Because of the preliminary nature of this lawsuit, we are not able to estimate a loss or range of loss, if any, that may be incurred in connection with this matter at this time.

Financial Impact. Since the Greater Lawrence Incident, we have recorded expenses of approximately \$1,036 million for third-party claims and fines, penalties and settlements associated with government investigations. We estimate that total costs related to third-party claims and fines, penalties and settlements associated with government investigations resulting from the incident will range from \$1,036 million to \$1,050 million, depending on the number, nature, final outcome and value of third-party claims. With regard to third-party claims, these costs include, but are not limited to, personal injury and property damage claims, damage to infrastructure, business interruption claims, and mutual aid payments to other utilities assisting with the restoration effort. These costs do not include costs of certain third-party claims and fines, penalties or settlements associated with government investigations that we are not able to estimate. These costs also do not include non-claims related and government investigation-related legal expenses resulting from the incident, the capital cost of the pipeline replacement and the payment in lieu of penalties, which are set forth in "- D. Other Matters - Greater Lawrence Incident Restoration," "- Greater Lawrence Incident Pipeline Replacement," and Note 1-A, "Company Structure and Principles of Consolidation," respectively.

The process for estimating costs associated with third-party claims relating to the Greater Lawrence Incident requires management to exercise significant judgment based on a number of assumptions and subjective factors. As more information becomes known, management's estimates and assumptions regarding the financial impact of the Greater Lawrence Incident may change.

The aggregate amount of third-party liability insurance coverage available for losses arising from the Greater Lawrence Incident is \$800 million. We collected the entire \$800 million as of December 31, 2019. Total expenses related to the incident have exceeded the total amount of insurance coverage available under our policies. Refer to "- E. Other Matters - Greater Lawrence Incident Restoration," below for a summary of third-party claims-related expense activity and associated insurance recoveries recorded since the Greater Lawrence Incident.

We are also party to certain other claims, regulatory and legal proceedings arising in the ordinary course of business in each state in which we have operations, none of which is deemed to be individually material at this time.

Due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim, proceeding or investigation related to the Greater Lawrence Incident or otherwise would not have a material adverse effect on our results of operations, financial position or liquidity. Certain matters in connection with the Greater Lawrence Incident have had or may have a material impact as described above. If one or more of such additional or other matters were decided against us, the effects could be material to our results of operations in the period in which we would be required to record or adjust the related liability and could also be material to our cash flows in the periods that we would be required to pay such liability.

D. Environmental Matters. Our operations are subject to environmental statutes and regulations related to air quality, water quality, hazardous waste and solid waste. We believe we are, in all material respects, in compliance with the environmental regulations currently applicable to our operations.

It is management's continued intent to address environmental issues in cooperation with regulatory authorities in such a manner as to achieve mutually acceptable compliance plans. However, there can be no assurance that fines and penalties will not be incurred. Management expects a significant portion of environmental assessment, improvement and remediation costs to be recoverable through rates for certain of our companies.

As of December 31, 2020 and 2019, we had recorded a liability of \$92.6 million and \$104.4 million, respectively, to cover environmental remediation at various sites. The current portion of this liability is included in "Other Accruals" in the Consolidated Balance Sheets. The noncurrent portion is included in "Other noncurrent liabilities." We recognize costs associated with environmental remediation obligations when the incurrence of such costs is probable and the amounts can be reasonably estimated. The original estimates for remediation activities may differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including currently enacted laws and regulations, the nature and extent of impact and the method of remediation. These expenditures are not currently estimable at some sites. We periodically adjust our liability as information is collected and estimates become more refined.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Electric Operations' compliance estimates disclosed below are reflective of NIPSCO's Integrated Resource Plan submitted to the IURC on October 31, 2018. See section " - E. Other Matters - NIPSCO 2018 Integrated Resource Plan," below for additional information.

Air

Future legislative and regulatory programs could significantly limit allowed GHG emissions or impose a cost or tax on GHG emissions. Additionally, rules that require further GHG reductions or impose additional requirements for natural gas facilities could impose additional costs. NiSource will carefully monitor all GHG reduction proposals and regulations.

ACE Rule. On July 8, 2019, the EPA published the final ACE rule, which establishes emission guidelines for states to use when developing plans to limit carbon dioxide at coal-fired electric generating units based on heat rate improvement measures. The U.S. Court of Appeals for the D.C. Circuit vacated and remanded the rule on January 19, 2021. NIPSCO will continue to monitor this matter.

Waste

CERCLA. Our subsidiaries are potentially responsible parties at waste disposal sites under the CERCLA (commonly known as Superfund) and similar state laws. Under CERCLA, each potentially responsible party can be held jointly, severally and strictly liable for the remediation costs as the EPA, or state, can allow the parties to pay for remedial action or perform remedial action themselves and request reimbursement from the potentially responsible parties. Our affiliates have retained CERCLA environmental liabilities, including remediation liabilities, associated with certain current and former operations. These liabilities are not material to the Consolidated Financial Statements.

MGP. A program has been instituted to identify and investigate former MGP sites where Gas Distribution Operations subsidiaries or predecessors may have liability. The program has identified 54 such sites where liability is probable. Remedial actions at many of these sites are being overseen by state or federal environmental agencies through consent agreements or voluntary remediation agreements.

We utilize a probabilistic model to estimate our future remediation costs related to MGP sites. The model was prepared with the assistance of a third party and incorporates our experience and general industry experience with remediating MGP sites. We complete an annual refresh of the model in the second quarter of each fiscal year. No material changes to the estimated future remediation costs were noted as a result of the refresh completed as of June 30, 2020. Our total estimated liability related to the facilities subject to remediation was \$85.0 million and \$102.2 million at December 31, 2020 and 2019, respectively. The liability represents our best estimate of the probable cost to remediate the facilities. We believe that it is reasonably possible that remediation costs could vary by as much as \$20 million in addition to the costs noted above. Remediation costs are estimated based on the best available information, applicable remediation standards at the balance sheet date, and experience with similar facilities.

CCRs. On April 17, 2015, the EPA issued a final rule for regulation of CCRs. The rule regulates CCRs under the RCRA Subtitle D, which determines them to be nonhazardous. The rule is implemented in phases and requires increased groundwater monitoring, reporting, recordkeeping and posting of related information to the Internet. The rule also establishes requirements related to CCR management and disposal. The rule will allow NIPSCO to continue its byproduct beneficial use program.

To comply with the rule, NIPSCO completed capital expenditures in 2019 to modify its infrastructure and manage CCRs. The CCR rule also resulted in revisions to previously recorded legal obligations associated with the retirement of certain NIPSCO facilities. The actual asset retirement costs related to the CCR rule may vary substantially from the estimates used to record the increased asset retirement obligation due to the uncertainty about the requirements that will be established by environmental authorities, compliance strategies that will be used and the preliminary nature of available data used to estimate costs. As allowed by the rule, NIPSCO will continue to collect data over time to determine the specific compliance solutions and associated costs and, as a result, the actual costs may vary. NIPSCO will also continue to work with EPA and the Indiana Department of Environmental Management to obtain administrative approvals associated with the CCR rule. In the event that the approvals are not obtained, future operations could be impacted. We believe the possibility of such an outcome is remote.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

E. Other Matters.

NIPSCO 2018 Integrated Resource Plan. NIPSCO concluded in its October 2018 Integrated Resource Plan submission that NIPSCO's current fleet of coal generation facilities will be retired earlier than previous Integrated Resource Plans had indicated. The Integrated Resource Plan evaluated demand-side and supply-side resource alternatives to reliably and cost effectively meet NIPSCO customers' future energy requirements over the ensuing 20 years. The preferred option within the Integrated Resource Plan retires the R.M. Schahfer Generating Station by mid-2023 and the Michigan City Generating Station by the end of 2028. These units represent 2,080 MW of generating capacity, equal to 72% of NIPSCO's remaining generating capacity and 100% of NIPSCO's remaining coal-fired generating capacity. NIPSCO will refresh its 2018 Integrated Resource Plan in 2021.

In the second quarter of 2020, the MISO approved NIPSCO's plan to retire the R.M. Schahfer Generating Station in 2023. In accordance with ASC 980-360, the net book value of certain plant and equipment for the R.M. Schahfer Generating Station was reclassified as "Non-Utility and Other" as described in Note 6, "Property, Plant and Equipment." The December 2019, NIPSCO electric rate case order included approval to create a regulatory asset upon the retirement of the R.M. Schahfer Generating Station. The order allows for the recovery of and on the net book value of the station by the end of 2032. Refer to Note 6, "Property, Plant and Equipment" for further information.

In connection with the MISO's approval of NIPSCO's planned retirement of the R.M. Schahfer Generating Station, we recorded \$4.6 million of plant retirement-related charges in the second quarter of 2020. These charges are presented within "Operation and maintenance" and were comprised of write downs of certain capital projects that have been cancelled and materials and supplies inventory balances deemed obsolete due to the planned retirement. As more information becomes available, the retirement date of the R.M. Schahfer Generating Station will be finalized, and additional plant retirement-related charges may be incurred. In February 2021, NIPSCO decided to submit modified Attachment Y Notices to MISO requesting accelerated retirement of two of the four coal fired units at R.M. Schahfer Generating Station. The two units are now expected to be retired by the end of 2021, with the remaining two units still scheduled to be retired in 2023. At retirement, the net book value of the retired units will be reclassified from "Non-Utility and Other property", to current and long-term "Regulatory Assets," as described above.

In connection with the planned retirement of the Schahfer Generating Station and the Michigan City Generating Station, the current capacity replacement plan includes lower-cost, reliable, cleaner energy resources to be obtained through a combination of NIPSCO ownership and PPAs. To this effect, NIPSCO has entered into a number of agreements with counterparties.

NIPSCO has executed several PPAs to purchase 100% of the output from renewable generation facilities at a fixed price per MWh. Each facility supplying the energy will have an associated nameplate capacity, and payments under the PPAs will not begin until the associated generation facility is constructed by the owner/seller. NIPSCO has also executed several BTAs with developers to construct renewable generation facilities. NIPSCO's purchase requirement under the BTAs is dependent on satisfactory approval of the BTA by the IURC, successful execution of an agreement with a tax equity partner and timely completion of construction. NIPSCO and the tax equity partner are obligated to make cash contributions to the partnership at the date construction is substantially complete. Once the tax equity partner has earned their negotiated rate of return and we have reached the agreed upon contractual date, NIPSCO has the option to purchase at fair market value from the tax equity partner the remaining interest in the aforementioned joint venture.

Greater Lawrence Incident Restoration. In addition to the amounts estimated for third-party claims and fines, penalties and settlements associated with government investigations described above, we have recorded expenses for other incident-related costs. Such costs include certain consulting costs, legal costs, vendor costs, claims center costs, labor and related expenses incurred in connection with the incident, and insurance-related loss surcharges. These amounts do not include the capital cost of the pipeline replacement, which is set forth below.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

The following table summarizes expenses incurred and insurance recoveries recorded since the Greater Lawrence Incident. This activity is presented within "Operation and maintenance" and "Other, net" in our Statements of Consolidated Income (Loss).

(in millions)	Total Costs Incurred through		Incident to Date
	December 31, 2019	Year Ended December 31, 2020	
Third-party claims and government fines, penalties and settlements	\$ 1,041	\$ (5)	\$ 1,036
Other incident-related costs	420	22	442
Total	1,461	17	1,478
Insurance recoveries recorded	(800)	—	(800)
Total costs incurred	\$ 661	\$ 17	\$ 678

As discussed in "- C. Legal Proceedings," the aggregate amount of third-party liability insurance coverage available for losses arising from the Greater Lawrence Incident is \$800 million. While we collected the entire \$800 million, expenses related to the incident exceeded the total amount of insurance coverage available under our policies.

The following table summarizes the total estimated incident-related expenses.

(in millions)	Current Total Estimated Amount
Third-party claims and government fines, penalties and settlements	\$1,036 - \$1,050
Other incident-related costs	\$445 - \$450

Greater Lawrence Pipeline Replacement. In connection with the Greater Lawrence Incident, Columbia of Massachusetts, in cooperation with the Massachusetts Governor's office, replaced the entire affected pipeline system. We invested approximately \$258 million of capital spend for the pipeline replacement; this work was completed in 2019. We maintain property insurance for gas pipelines and other applicable property. Columbia of Massachusetts has filed a proof of loss with its property insurer for the pipeline replacement. In January 2020, we filed a lawsuit against the property insurer, seeking payment of our property claim. We are currently unable to predict the timing or amount of any insurance recovery under the property policy. Refer to Note 1-A, "Company Structure and Principles of Consolidation," for more information.

State Income Taxes Related to Greater Lawrence Incident Expenses. As of December 31, 2018, expenses related to the Greater Lawrence Incident were \$1,023 million. In the fourth quarter of 2019, we filed an application for Alternative Apportionment with the MA DOR to request an allocable approach to these expenses for purposes of Massachusetts state income taxes, which, if approved, would result in a state deferred tax asset of approximately \$50 million, net. The MA DOR issued a denial during the first quarter of 2020. We filed an application for abatement in the second quarter of 2020, resulting in a hearing with the MA DOR during the fourth quarter of 2020. We believe it is reasonably possible that an alternative method will be proposed by the MA DOR during the first half of 2021.

Voluntary Separation Program. On August 5, 2020, we commenced a voluntary separation program for certain employees. Expense for the voluntary separation program was predominantly recognized in the third quarter of 2020, when the employees accepted the offer, absent a retention period. For employees that have a retention period, expense will be recognized over the remaining service period. Employee acceptance under the voluntary separation program was determined by management based on facts and circumstances of the benefits being offered. The total severance expense for employees who were accepted under the voluntary separation program offered in August 2020 is approximately \$38 million, which will be recognized over the remaining service period of the applicable employees. A rollforward of the voluntary separation program accrual for the year ended December 31, 2020 is presented below:

(in millions)	Balance as of January 1, 2020	Changes Attributable to Costs Incurred ⁽¹⁾	Costs Paid	Adjustments	Balance as of December 31, 2020 ⁽²⁾
Voluntary Separation Program	\$ —	33.5 \$	(21.2)	(1.2) \$	11.1

⁽¹⁾This activity is presented within "Operation and maintenance" in our Statements of Consolidated Income (Loss).

⁽²⁾This activity is presented within "Accrued compensation and employee benefits" in our Consolidated Balance Sheets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

21. Accumulated Other Comprehensive Loss

The following table displays the activity of Accumulated Other Comprehensive Loss, net of tax:

<i>(in millions)</i>	Gains and Losses on Securities ⁽¹⁾	Gains and Losses on Cash Flow Hedges ⁽¹⁾	Pension and OPEB Items ⁽¹⁾	Accumulated Other Comprehensive Loss ⁽¹⁾
Balance as of January 1, 2018	\$ 0.2	\$ (29.4)	\$ (14.2)	\$ (43.4)
Other comprehensive income (loss) before reclassifications	(3.0)	55.8	(4.4)	48.4
Amounts reclassified from accumulated other comprehensive loss	0.4	(33.1)	—	(32.7)
Net current-period other comprehensive income (loss)	(2.6)	22.7	(4.4)	15.7
Reclassification due to adoption of ASU 2018-02	—	(6.3)	(3.2)	(9.5)
Balance as of December 31, 2018	\$ (2.4)	\$ (13.0)	\$ (21.8)	\$ (37.2)
Other comprehensive income (loss) before reclassifications	6.1	(64.3)	2.3	(55.9)
Amounts reclassified from accumulated other comprehensive loss	(0.4)	0.1	0.8	0.5
Net current-period other comprehensive income (loss)	5.7	(64.2)	3.1	(55.4)
Balance as of December 31, 2019	\$ 3.3	\$ (77.2)	\$ (18.7)	\$ (92.6)
Other comprehensive income (loss) before reclassifications	3.3	(70.8)	2.9	(64.6)
Amounts reclassified from accumulated other comprehensive loss	(0.6)	0.1	1.0	0.5
Net current-period other comprehensive income (loss)	2.7	(70.7)	3.9	(64.1)
Balance as of December 31, 2020	\$ 6.0	\$ (147.9)	\$ (14.8)	\$ (156.7)

⁽¹⁾All amounts are net of tax. Amounts in parentheses indicate debits.

22. Other, Net

Year Ended December 31, <i>(in millions)</i>	2020	2019	2018
Interest income	\$ 5.5	\$ 7.7	\$ 6.6
AFUDC equity	9.9	8.0	14.2
Charitable contributions ⁽¹⁾	(1.5)	(5.1)	(45.3)
Pension and other postretirement non-service cost ⁽²⁾	9.3	(16.5)	18.0
Sale of emission reduction credits	4.6	—	—
Interest rate swap settlement gain ⁽³⁾	—	—	46.2
Miscellaneous	4.3	0.7	3.8
Total Other, net	\$ 32.1	\$ (5.2)	\$ 43.5

⁽¹⁾ 2018 charitable contributions include \$20.7 million related to the Greater Lawrence Incident and \$20.0 million of discretionary contributions made to the NiSource Charitable Foundation. See Note 20, "Other Commitments and Contingencies" for additional information on the Greater Lawrence Incident.

⁽²⁾ See Note 12, "Pension and Other Postretirement Benefits" for additional information.

⁽³⁾ See Note 10, "Risk Management Activities" for additional information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

23. Interest Expense, Net

Year Ended December 31, (in millions)	2020	2019	2018
Interest on long-term debt	\$ 354.2	\$ 327.7	\$ 342.2
Interest on short-term borrowings	14.7	50.8	31.8
Debt discount/cost amortization	9.1	8.3	7.7
Accounts receivable securitization fees	2.6	2.6	2.6
Allowance for borrowed funds used and interest capitalized during construction	(7.0)	(7.5)	(9.1)
Debt-based post-in-service carrying charges	(14.6)	(18.7)	(35.0)
Other	11.7	15.7	13.1
Total Interest Expense, net	\$ 370.7	\$ 378.9	\$ 353.3

24. Segments of Business

At December 31, 2020, our operations are divided into two primary reportable segments, the Gas Distribution Operations and the Electric Operations segment. The remainder of our operations, which are not significant enough on a stand-alone basis to warrant treatment as an operating segment, are presented as "Corporate and Other" and primarily are comprised of interest expense on holding company debt, and unallocated corporate costs and activities. Refer to Note 3, "Revenue Recognition," for additional information on our segments and their sources of revenues. The following table provides information about our reportable segments. We use operating income as our primary measurement for each of the reported segments and make decisions on finance, dividends and taxes at the corporate level on a consolidated basis. Segment revenues include intersegment sales to affiliated subsidiaries, which are eliminated in consolidation. Affiliated sales are recognized on the basis of prevailing market, regulated prices or at levels provided for under contractual agreements. Operating income is derived from revenues and expenses directly associated with each segment.

Year Ended December 31, (in millions)	2020	2019	2018
Operating Revenues			
Gas Distribution Operations			
Unaffiliated	\$ 3,128.1	\$ 3,509.7	\$ 3,406.4
Intersegment	12.1	13.1	13.1
Total	3,140.2	3,522.8	3,419.5
Electric Operations			
Unaffiliated	1,535.9	1,698.4	1,707.4
Intersegment	0.7	0.8	0.8
Total	1,536.6	1,699.2	1,708.2
Corporate and Other			
Unaffiliated	17.7	0.8	0.7
Intersegment	449.8	468.1	517.6
Total	467.5	468.9	518.3
Eliminations	(462.6)	(482.0)	(531.5)
Consolidated Operating Revenues	\$ 4,681.7	\$ 5,208.9	\$ 5,114.5

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

Year Ended December 31, (in millions)	2020	2019	2018
Operating Income (Loss)			
Gas Distribution Operations ⁽¹⁾	\$ 199.1	\$ 675.4	\$ (254.1)
Electric Operations	348.8	406.8	386.1
Corporate and Other ⁽²⁾	2.9	(191.5)	(7.3)
Consolidated Operating Income	\$ 550.8	\$ 890.7	\$ 124.7
Depreciation and Amortization			
Gas Distribution Operations	\$ 363.1	\$ 403.2	\$ 301.0
Electric Operations	321.3	277.3	262.9
Corporate and Other	41.5	36.9	35.7
Consolidated Depreciation and Amortization	\$ 725.9	\$ 717.4	\$ 599.6
Assets			
Gas Distribution Operations	\$ 13,433.0	\$ 14,224.5	\$ 13,527.0
Electric Operations	6,443.1	6,027.6	5,735.2
Corporate and Other	2,164.4	2,407.7	2,541.8
Consolidated Assets	\$ 22,040.5	\$ 22,659.8	\$ 21,804.0
Capital Expenditures⁽³⁾			
Gas Distribution Operations	\$ 1,266.9	\$ 1,380.3	\$ 1,315.3
Electric Operations	422.8	468.9	499.3
Corporate and Other	31.1	18.6	—
Consolidated Capital Expenditures	\$ 1,720.8	\$ 1,867.8	\$ 1,814.6

⁽¹⁾In 2020, Gas Distribution Operations reflects the loss of \$412.4 million on the sale of the Massachusetts Business. For additional information, see Note 1, "Nature of Operations and Summary of Significant Accounting Policies".

⁽²⁾In 2019, Corporate and Other reflects an impairment charge of \$204.8 million for goodwill related to Columbia of Massachusetts. For additional information, see Note 7, "Goodwill and Other Intangible Assets."

⁽³⁾Amounts differ from those presented on the Statements of Consolidated Cash Flows primarily due to the inclusion of capital expenditures in current liabilities, the capitalized portion of the Corporate Incentive Plan payout, and AFUDC Equity.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

25. Quarterly Financial Data (Unaudited)

Quarterly financial data does not always reveal the trend of our business operations due to nonrecurring items and seasonal weather patterns, which affect earnings and related components of revenue and operating income.

<i>(in millions, except per share data)</i>	First Quarter ⁽¹⁾	Second Quarter ⁽²⁾	Third Quarter ⁽³⁾	Fourth Quarter ⁽⁴⁾
2020				
Operating Revenues	\$ 1,605.5	\$ 962.7	\$ 902.5	\$ 1,211.0
Operating Income	148.2	91.7	92.8	218.1
Net Income (Loss)	75.6	(4.7)	(172.9)	87.8
Net income attributable to noncontrolling interest	—	—	—	3.4
Net Income (Loss) attributable to NiSource	75.6	(4.7)	(172.9)	84.4
Preferred Dividends	(13.8)	(13.8)	(13.8)	(13.7)
Net Income (Loss) Available to Common Shareholders	61.8	(18.5)	(186.7)	70.7
Earnings (Loss) Per Share				
Basic Earnings (Loss) Per Share	\$ 0.16	\$ (0.05)	\$ (0.49)	\$ 0.18
Diluted Earnings (Loss) Per Share	\$ 0.16	\$ (0.05)	\$ (0.49)	\$ 0.18
2019				
Operating Revenues	\$ 1,869.8	\$ 1,010.4	\$ 931.5	\$ 1,397.2
Operating Income (Loss)	374.2	463.5	91.0	(38.0)
Net Income (Loss)	218.9	296.9	6.6	(139.3)
Preferred Dividends	(13.8)	(13.8)	(13.8)	(13.7)
Net Income (Loss) Available to Common Shareholders	205.1	283.1	(7.2)	(153.0)
Earnings (Loss) Per Share				
Basic Earnings (Loss) Per Share	\$ 0.55	\$ 0.76	\$ (0.02)	\$ (0.41)
Diluted Earnings (Loss) Per Share	\$ 0.55	\$ 0.75	\$ (0.02)	\$ (0.41)

⁽¹⁾ Net income for the first quarter of 2020 was impacted by \$280.2 million loss on sale of the Massachusetts Business. Net income for the first quarter of 2019 was impacted by \$108.0 million in insurance recoveries (pretax) related to the Greater Lawrence Incident. See Note 1, "Company Structure and Principles of Consolidation" and Note 20-E, "Other Matters" for additional information.

⁽²⁾ Net income for the second quarter of 2020 was impacted by an additional \$84.4 million loss on sale of the Massachusetts Business. Net income for the second quarter of 2019 was impacted by \$297.0 million in insurance recoveries (pretax) related to the Greater Lawrence Incident. See Note 1, "Company Structure and Principles of Consolidation" and Note 20-E, "Other Matters" for additional information.

⁽³⁾ Net loss for the third quarter of 2020 was impacted by \$243.4 million loss on early extinguishments of long-term debt. See Note 15, "Long-Term Debt" for additional information.

⁽⁴⁾ Net loss for the fourth quarter of 2019 was impacted by an impairment charge of \$204.8 million for goodwill and an impairment charge of \$209.7 million for franchise rights, in each case related to Columbia of Massachusetts. For additional information, see Note 7, "Goodwill and Other Intangible Assets."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

26. Supplemental Cash Flow Information

The following table provides additional information regarding our Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018:

Year Ended December 31, (in millions)	2020	2019	2018
Supplemental Disclosures of Cash Flow Information			
Non-cash transactions:			
Capital expenditures included in current liabilities	\$ 170.4	\$ 223.6	\$ 152.0
Assets acquired under a finance lease	59.3	26.4	54.6
Assets acquired under an operating lease	10.9	13.4	—
Reclassification of other property to regulatory assets ⁽¹⁾	—	—	245.3
Assets recorded for asset retirement obligations ⁽²⁾	91.5	54.6	78.1
Obligation to developer at formation of joint venture ⁽³⁾	69.7	—	—
Schedule of interest and income taxes paid:			
Cash paid for interest, net of interest capitalized amounts	\$ 349.0	\$ 349.7	\$ 354.2
Cash paid for income taxes, net of refunds ⁽⁴⁾	(1.0)	10.8	3.3

⁽¹⁾See Note 9 "Regulatory Matters" for additional information.

⁽²⁾See Note 8 "Asset Retirement Obligations" for additional information.

⁽³⁾Represents investing non-cash activity. See Note 4 "Variable Interest Entities" for additional information.

⁽⁴⁾Amount of refunds in 2020 was greater than the amount of tax payments due to overpayments in 2019.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (continued)

NISOURCE INC.
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

Twelve months ended December 31, 2020

<i>(\$ in millions)</i>	Balance Jan. 1, 2020	Additions		Deductions for Purposes for which Reserves were Created	Balance Dec. 31, 2020
		Charged to Costs and Expenses	Charged to Other Account ⁽¹⁾		
Reserves Deducted in Consolidated Balance Sheet from Assets to Which They Apply:					
Reserve for accounts receivable	\$ 19.2	\$ 31.6	\$ 33.0	\$ 31.5	\$ 52.3
Reserve for other investments	3.0	—	—	3.0	—

Twelve months ended December 31, 2019

<i>(\$ in millions)</i>	Balance Jan. 1, 2019	Additions		Deductions for Purposes for which Reserves were Created	Balance Dec. 31, 2019
		Charged to Costs and Expenses	Charged to Other Account ⁽¹⁾		
Reserves Deducted in Consolidated Balance Sheet from Assets to Which They Apply:					
Reserve for accounts receivable	\$ 21.1	\$ 21.6	\$ 41.3	\$ 64.8	\$ 19.2
Reserve for other investments	3.0	—	—	—	3.0

Twelve months ended December 31, 2018

<i>(\$ in millions)</i>	Balance Jan. 1, 2018	Additions		Deductions for Purposes for which Reserves were Created	Balance Dec. 31, 2018
		Charged to Costs and Expenses	Charged to Other Account ⁽¹⁾		
Reserves Deducted in Consolidated Balance Sheet from Assets to Which They Apply:					
Reserve for accounts receivable	\$ 18.3	\$ 20.2	\$ 43.7	\$ 61.1	\$ 21.1
Reserve for other investments	3.0	—	—	—	3.0

⁽¹⁾ Charged to Other Accounts reflects the deferral of bad debt expense to a regulatory asset.

NISOURCE INC.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and chief financial officer are responsible for evaluating the effectiveness of disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by the Company in reports that are filed or submitted under the Exchange Act are accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our chief executive officer and chief financial officer concluded that, as of the end of the period covered by this report, disclosure controls and procedures were effective to provide reasonable assurance that financial information was processed, recorded and reported accurately.

Management's Annual Report on Internal Control over Financial Reporting

Our management, including our chief executive officer and chief financial officer, are responsible for establishing and maintaining internal control over financial reporting, as such term is defined under Rule 13a-15(f) or Rule 15d-15(f) promulgated under the Exchange Act. However, management would note that a control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our management has adopted the 2013 framework set forth in the Committee of Sponsoring Organizations of the Treadway Commission report, Internal Control - Integrated Framework, the most commonly used and understood framework for evaluating internal control over financial reporting, as its framework for evaluating the reliability and effectiveness of internal control over financial reporting. During 2020, we conducted an evaluation of our internal control over financial reporting. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of the end of the period covered by this annual report.

Deloitte & Touche LLP, our independent registered public accounting firm, issued an attestation report on our internal controls over financial reporting which is included herein.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting during the most recently completed quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9A. CONTROLS AND PROCEDURES

NISOURCE INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of NiSource Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of NiSource Inc. and subsidiaries (the “Company”) as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 17, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Columbus, Ohio
February 17, 2021

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ITEM 9B. OTHER INFORMATION

NISOURCE INC.

Not applicable.

PART III

NISOURCE INC.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except for the information required by this item with respect to our executive officers included at the end of Part I of this report on Form 10-K, the information required by this Item 10 is incorporated herein by reference to the discussion in "Proposal 1 Election of Directors," "Corporate Governance," and "Delinquent Section 16(a) Reports" of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 25, 2021.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated herein by reference to the discussion in "Corporate Governance - Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Executive Compensation," and "Executive Compensation - Compensation Committee Report," of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 25, 2021.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is incorporated herein by reference to the discussion in "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 25, 2021.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated herein by reference to the discussion in "Corporate Governance - Policies and Procedures with Respect to Transactions with Related Persons" and "Corporate Governance - Director Independence" of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 25, 2021.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item 14 is incorporated herein by reference to the discussion in "Independent Registered Public Accounting Firm Fees" of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 25, 2021.

PART IV

NI SOURCE INC.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Financial Statements and Financial Statement Schedules

The following financial statements and financial statement schedules filed as a part of the Annual Report on Form 10-K are included in Item 8, "Financial Statements and Supplementary Data."

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Exhibits

The exhibits filed herewith as a part of this report on Form 10-K are listed on the Exhibit Index below. Each management contract or compensatory plan or arrangement of ours, listed on the Exhibit Index, is separately identified by an asterisk.

Pursuant to Item 601(b), paragraph (4)(iii)(A) of Regulation S-K, certain instruments representing long-term debt of our subsidiaries have not been included as Exhibits because such debt does not exceed 10% of the total assets of ours and our subsidiaries on a consolidated basis. We agree to furnish a copy of any such instrument to the SEC upon request.

EXHIBIT NUMBER	DESCRIPTION OF ITEM
(1.1)	Form of Equity Distribution Agreement (incorporated by reference to Exhibit 1.1 to the NiSource Inc. Form 8-K filed on November 1, 2018).
(1.2)	Form of Master Forward Sale Confirmation (incorporated by reference to Exhibit 1.2 to the NiSource Inc. Form 8-K filed on November 1, 2018).
(2.1)	Separation and Distribution Agreement, dated as of June 30, 2015, by and between NiSource Inc. and Columbia Pipeline Group, Inc. (incorporated by reference to Exhibit 2.1 to the NiSource Inc. Form 8-K filed on July 2, 2015).
(2.2)	Asset Purchase Agreement, dated as of February 26, 2020, by and among NiSource Inc., Bay State Gas Company d/b/a Columbia Gas of Massachusetts and Eversource Energy (incorporated by reference to Exhibit 2.1 of the NiSource Inc. Form 8-K filed on February 27, 2020).***
(3.1)	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-Q , filed with the Commission on August 3, 2015).
(3.2)	Certificate of Amendment of Amended and Restated Certificate of Incorporation of NiSource dated May 7, 2019 (incorporated by reference to Exhibit 3.1 of the NiSource Inc. Form 8-K filed on May 8, 2019).
(3.3)	Bylaws of NiSource Inc., as amended and restated through January 26, 2018 (incorporated by reference to Exhibit 3.1 to the NiSource Inc. Form 8-K filed on January 26, 2018).
(3.4)	Certificate of Designations of 5.65% Series A Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock (incorporated by reference to Exhibit 3.1 of the NiSource Inc. Form 8-K filed on June 12, 2018).
(3.5)	Form of Certificate of Designations of 6.50% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock (incorporated by reference to Exhibit 3.1 of the NiSource Inc. Form 8-K filed on November 29, 2018).
(3.6)	Certificate of Designations of 6.50% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock (incorporated by reference to Exhibit 3.1 of the NiSource Inc. Form 8-K filed on December 6, 2018).

- (3.7) Certificate of Designations of Series B-1 Preferred Stock (incorporated by reference to [Exhibit 3.1 to the NiSource Inc. Form 8-K](#) filed on December 27, 2018).

- (4.1) Indenture, dated as of March 1, 1988, by and between Northern Indiana Public Service Company ("NIPSCO") and Manufacturers Hanover Trust Company, as Trustee (incorporated by reference to Exhibit 4 to the NIPSCO Registration Statement (Registration No. 33-44193)).
- (4.2) First Supplemental Indenture, dated as of December 1, 1991, by and between Northern Indiana Public Service Company and Manufacturers Hanover Trust Company, as Trustee (incorporated by reference to Exhibit 4.1 to the NIPSCO Registration Statement (Registration No. 33-63870)).
- (4.3) Indenture Agreement, dated as of February 14, 1997, by and between NIPSCO Industries, Inc., NIPSCO Capital Markets, Inc. and Chase Manhattan Bank as trustee (incorporated by reference to Exhibit 4.1 to the NIPSCO Industries, Inc. Registration Statement (Registration No. 333-22347)).
- (4.4) Second Supplemental Indenture, dated as of November 1, 2000, by and among NiSource Capital Markets, Inc., NiSource Inc., New NiSource Inc., and The Chase Manhattan Bank, as trustee (incorporated by reference to Exhibit 4.45 to the NiSource Inc. Form 10-K for the period ended December 31, 2000).
- (4.5) Indenture, dated November 14, 2000, among NiSource Finance Corp., NiSource Inc., as guarantor, and The Chase Manhattan Bank, as Trustee (incorporated by reference to Exhibit 4.1 to the NiSource Inc. Form S-3, dated November 17, 2000 (Registration No. 333-49330)).
- (4.6) Form of 3.490% Notes due 2027 (incorporated by reference to [Exhibit 4.1 to the NiSource Inc. Form 8-K](#) filed on May 17, 2017).
- (4.7) Form of 4.375% Notes due 2047 (incorporated by reference to [Exhibit 4.2 to the NiSource Inc. Form 8-K](#) filed on May 17, 2017).
- (4.8) Form of 3.950% Notes due 2048 (incorporated by reference to [Exhibit 4.1 to the NiSource Inc. Form 8-K](#) filed on September 8, 2017).
- (4.9) Form of 2.650% Notes due 2022 (incorporated by reference to [Exhibit 4.1 to the NiSource Inc. Form 8-K](#) filed on November 14, 2017).
- (4.10) Second Supplemental Indenture, dated as of November 30, 2017, between NiSource Inc. and The Bank of New York Mellon, as trustee (incorporated by reference to [Exhibit 4.4 to Post-Effective Amendment No. 1 to Form S-3](#) filed November 30, 2017 (Registration No. 333-214360)).
- (4.11) Third Supplemental Indenture, dated as of November 30, 2017, between NiSource Inc. and The Bank of New York Mellon, as trustee (incorporated by reference to [Exhibit 4.2 to the NiSource Inc. Form 8-K](#) filed on December 1, 2017).
- (4.12) Second Supplemental Indenture, dated as of February 12, 2018, between Northern Indiana Public Service Company and The Bank of New York Mellon, solely as successor trustee under the Indenture dated as of March 1, 1988 between the Company and Manufacturers Hanover Trust Company, as original trustee. (incorporated by reference to [Exhibit 4.1 to the NiSource Inc. Form 10-Q](#) filed on May 2, 2018).

- (4.13) Third Supplemental Indenture, dated as of June 11, 2018, by and between NiSource Inc. and The Bank of New York Mellon, as trustee (including form of 3.650% Notes due 2023) (incorporated by reference to [Exhibit 4.1 of the NiSource Inc. Form 8-K](#) filed on June 12, 2018).

- (4.14) Deposit Agreement, dated as of December 5, 2018, among NiSource, Inc., Computershare Inc. and Computershare Trust Company, N.A., acting jointly as depository, and the holders from time to time of the depository receipts described therein (incorporated by reference to [Exhibit 4.1 of the NiSource Inc. Form 8-K](#) filed on December 6, 2018).

- (4.15) Form of Depositary Receipt (incorporated by reference to [Exhibit 4.1 of the NiSource Inc. Form 8-K](#) filed on December 6, 2018).

- (4.16) Amended and Restated Deposit Agreement, dated as of December 27, 2018, among NiSource, Inc., Computershare Inc. and Computershare Trust Company, N.A., acting jointly as depository, and the holders from time to time of the depository receipts described therein (incorporated by reference to [Exhibit 4.1 to the NiSource Inc. Form 8-K](#) filed on December 27, 2018).

- (4.17) Form of Depositary Receipt (incorporated by reference to [Exhibit 4.1 to the NiSource Inc. Form 8-K](#) filed on December 27, 2018).

- (4.18) Form of 2.950% Notes due 2029 (incorporated by reference to [Exhibit 4.1 to NiSource Inc. Form 8-K](#) filed on August 12, 2019).
- (4.19) Amended and Restated NiSource Inc. Employee Stock Purchase Plan (incorporated by [reference to Exhibit C to the Registrant's Definitive Proxy Statement on Schedule 14A](#), filed with the Commission on April 1, 2019).
- (4.20) Description of NiSource Inc.'s Securities Registered Under Section 12 of the Exchange Act. (incorporated by reference to [Exhibit 4.20 of the NiSource Form 10-K](#) filed on February 28, 2020)
- (4.21) Form of 3.600% Notes due 2030 (incorporated by reference to [Exhibit 4.1 to the NiSource Inc. Form 8-K](#) filed on April 8, 2020).
- (4.22) Form of 0.950% Notes due 2025 (incorporated by reference to [Exhibit 4.1 to the NiSource Inc. Form 8-K](#) filed on August 18, 2020).
- (4.23) Form of 1.700% Notes due 2031(incorporated by reference to [Exhibit 4.2 to the NiSource Inc. Form 8-K](#) filed on August 18, 2020).
- (10.1) 2010 Omnibus Incentive Plan (incorporated by reference to [Exhibit B to the NiSource Inc. Definitive Proxy Statement to Stockholders](#) for the Annual Meeting held on May 11, 2010, filed on April 2, 2010).*
- (10.2) First Amendment to the 2010 Omnibus Incentive Plan (incorporated by reference to [Exhibit 10.2 to the NiSource Inc. Form 10-K](#) filed on February 18, 2014).*
- (10.3) 2010 Omnibus Incentive Plan (incorporated by reference to [Exhibit C to the NiSource Inc. Definitive Proxy Statement to Stockholders](#) for the Annual Meeting held on May 12, 2015, filed on April 7, 2015).*
- (10.4) Second Amendment to the NiSource Inc. 2010 Omnibus Incentive Plan (incorporated by reference to [Exhibit 10.1 to the NiSource Inc. Form 8-K](#) filed October 23, 2015).*
- (10.5) Form of Amended and Restated 2013 Performance Share Agreement effective on implementation of the spin-off on July 1, 2015, (under the 2010 Omnibus Incentive Plan)(incorporated by reference to [Exhibit 10.1 to the NiSource Inc. Form 10-Q](#) filed on November 3, 2015).*
- (10.6) Form of Amended and Restated 2014 Performance Share Agreement effective on the implementation of the spin-off on July 1, 2015, (under the 2010 Omnibus Incentive Plan)(incorporated by reference to [Exhibit 10.2 to the NiSource Inc. Form 10-Q](#) filed on November 3, 2015).*
- (10.7) Form of Amendment to Restricted Stock Unit Award Agreement related to Vested but Unpaid NiSource Restricted Stock Unit Awards for Nonemployee Directors of NiSource entered into as of July 13, 2015 (incorporated by reference to [Exhibit 10.3 to the NiSource Inc. Form 10-Q](#) filed on November 3, 2015).*
- (10.8) NiSource Inc. Nonemployee Director Retirement Plan, as amended and restated effective May 13, 2008 (incorporated by reference to [Exhibit 10.2 to the NiSource Inc. Form 10-K](#) filed on February 27, 2009).*
- (10.9) Supplemental Life Insurance Plan effective January 1, 1991, as amended, (incorporated by reference to Exhibit 2 to the NIPSCO Industries, Inc. Form 8-K filed on March 25, 1992).*
- (10.10) Revised Form of Change in Control and Termination Agreement (incorporated by reference to [Exhibit 10.2 to the NiSource Inc. Form 8-K](#) filed on October 23, 2015).*
- (10.11) Form of Restricted Stock Agreement under the 2010 Omnibus Incentive Plan (incorporated by reference to [Exhibit 10.18 to the NiSource Inc. Form 10-K](#) filed on February 28, 2011).*
- (10.12) Form of Restricted Stock Unit Award Agreement for Non-employee directors under the Non-employee Director Stock Incentive Plan (incorporated by reference to [Exhibit 10.19 to the NiSource Inc. Form 10-K](#) filed on February 28, 2011).*
- (10.13) Form of Restricted Stock Unit Award Agreement for Nonemployee Directors under the 2010 Omnibus Incentive Plan (incorporated by reference to [Exhibit 10.1 to NiSource Inc. Form 10-Q](#) filed on August 2, 2011).*
- (10.14) Form of Restricted Stock Unit Award Agreement under the 2010 Omnibus Incentive Plan (incorporated by reference to [Exhibit 10.17 to the NiSource Inc. Form 10-K](#) filed on February 22, 2017).*
- (10.15) Form of Restricted Stock Unit Award Agreement for Nonemployee Directors under the 2010 Omnibus Incentive Plan (incorporated by reference to [Exhibit 10.18 to the NiSource Inc. Form 10-K](#) filed on February 22, 2017).*

- (10.16) Amended and Restated NiSource Inc. Executive Deferred Compensation Plan effective November 1, 2012 (incorporated by reference to [Exhibit 10.21 to the NiSource Inc. Form 10-K](#) filed on February 19, 2013).*
- (10.17) NiSource Inc. Executive Severance Policy, as amended and restated, effective January 1, 2015 (incorporated by reference to [Exhibit 10.21 to the NiSource Inc. Form 10-K](#) filed on February 18, 2015).*
- (10.18) Note Purchase Agreement, dated as of August 23, 2005, by and among NiSource Finance Corp., as issuer, NiSource Inc., as guarantor, and the purchasers named therein (incorporated by reference to [Exhibit 10.1 to the NiSource Inc. Current Report on Form 8-K](#) filed on August 26, 2005).
- (10.19) Amendment No. 1, dated as of November 10, 2008, to the Note Purchase Agreement by and among NiSource Finance Corp., as issuer, NiSource Inc., as guarantor, and the purchasers whose names appear on the signature page thereto (incorporated by reference to [Exhibit 10.30 to the NiSource Inc. Form 10-K](#) filed on February 27, 2009).
- (10.20) Letter Agreement, dated as of March 17, 2015, by and between NiSource Inc. and Donald Brown. (incorporated by reference [Exhibit 10.1 to the NiSource Inc. Form 10-Q](#) filed on April 30, 2015).*
- (10.21) Letter Agreement, dated as of February 23, 2016, by and between NiSource Inc. and Pablo A. Vegas. (incorporated by reference [Exhibit 10.29 to the NiSource Inc. Form 10-K](#) filed on February 22, 2017).*
- (10.22) Employee Matters Agreement, dated as of June 30, 2015, by and between NiSource Inc. and Columbia Pipeline Group, Inc. (incorporated by reference to [Exhibit 10.2 of the NiSource Inc. Form 8-K](#) filed on July 2, 2015).
- (10.23) Form of Change in Control and Termination Agreement (incorporated by reference to [Exhibit 10.1 to the NiSource Inc. Form 10-Q](#) filed on August 2, 2017).*
- (10.24) Form of Performance Share Award Agreement under the 2010 Omnibus Incentive Plan (incorporated by reference to [Exhibit 10.33 to the NiSource Form 10-K](#) filed on February 20, 2018).*
- (10.25) Form of Restricted Stock Unit Award Agreement under the 2010 Omnibus Incentive Plan (incorporated by reference to [Exhibit 10.34 to the NiSource Form 10-K](#) filed on February 20, 2018).*
- (10.26) Common Stock Subscription Agreement, dated as of May 2, 2018, by and among NiSource Inc. and the purchasers named therein (incorporated by reference to [Exhibit 10.1 of the NiSource Inc. Form 8-K](#) filed on May 2, 2018).
- (10.27) Registration Rights Agreement, dated as of May 2, 2018, by and among NiSource Inc. and the purchasers named therein (incorporated by reference to [Exhibit 10.2 of the NiSource Inc. Form 8-K](#) filed on May 2, 2018).
- (10.28) Purchase Agreement, dated as of June 6, 2018, by and among NiSource Inc. and Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and MUFG Securities Americas Inc., as representatives, relating to the 5.650% Series A Preferred Stock (incorporated by reference to [Exhibit 10.1 of the NiSource Inc. Form 8-K](#) filed on June 12, 2018).
- (10.29) Purchase Agreement, dated as of June 6, 2018, by and among NiSource Inc. and Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and MUFG Securities Americas Inc., as representatives, relating to the 3.650% Notes due 2023 (incorporated by reference to [Exhibit 10.2 of the NiSource Inc. Form 8-K](#) filed on June 12, 2018).
- (10.30) Registration Rights Agreement, dated as of June 11, 2018, by and among NiSource Inc. and Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and MUFG Securities Americas Inc., as representatives, relating to the 5.650% Series A Preferred Stock (incorporated by reference to [Exhibit 10.3 of the NiSource Inc. Form 8-K](#) filed on June 12, 2018).
- (10.31) Registration Rights Agreement, dated as of June 11, 2018, by and among NiSource Inc. and Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and MUFG Securities Americas Inc., as representatives, relating to the 3.650% Notes due 2023 (incorporated by reference to [Exhibit 10.4 of the NiSource Inc. Form 8-K](#) filed on June 12, 2018).
- (10.32) Form of 2019 Performance Share Award Agreement under the 2010 Omnibus Incentive Plan. (incorporated by reference to [Exhibit 10.45 of the NiSource Inc. Form 10-K](#) filed on February 20, 2019).*

- (10.33) Fifth Amended and Restated Revolving Credit Agreement, dated as of February 20, 2019, among NiSource Inc., as Borrower, the Lenders party thereto, Barclays Bank PLC, as Administrative Agent, Citibank, N.A. and MUFG Bank, Ltd., as Co-Syndication Agents, Credit Suisse AG, Cayman Islands Branch, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association, as Co-Documentation Agents, and Barclays Bank PLC, Citibank, N.A., MUFG Bank, Ltd., Credit Suisse Loan Funding LLC, JPMorgan Chase Bank, N.A. and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Bookrunners (incorporated by reference to [Exhibit 10.1 of the NiSource Inc. Form 8-K](#) filed on February 20, 2019).
- (10.34) Amended and Restated NiSource Inc. Employee Stock Purchase Plan adopted as of February 1, 2019 (incorporated by reference to [Exhibit C to the NiSource Inc. Definitive Proxy Statement](#) to Stockholders for the Annual Meeting to be held on May 7, 2019, filed on April 1, 2019).
- (10.35) Form of Performance Share Award Agreement (incorporated by reference to [Exhibit 10.39 of the NiSource Form 10-K](#) filed on February 28, 2020).*
- (10.36) Form of Restricted Stock Unit Award Agreement (incorporated by reference to [Exhibit 10.40 of the NiSource Form 10-K](#) filed on February 28, 2020). *
- (10.37) Form of Cash-Based Award Agreement (incorporated by reference to [Exhibit 10.41 of the NiSource Form 10-K](#) filed on February 28, 2020). *
- (10.38) Columbia Gas of Massachusetts Plea Agreement dated February 26, 2020 (incorporated by reference to [Exhibit 10.2 of the NiSource Inc. Form 8-K](#) filed on February 27, 2020).
- (10.39) NiSource Deferred Prosecution Agreement dated February 26, 2020 (incorporated by reference to [Exhibit 10.1 of the NiSource Inc. Form 8-K](#) filed on February 27, 2020).
- (10.40) Term Loan Agreement, dated as of April 1, 2020, among NiSource Inc., as Borrower, the lenders party thereto, and KeyBank National Association, as Administrative Agent, and KeyBank National Association, PNC Bank, National Association and U.S. Bank National Association, as Joint Lead Arrangers and Joint Bookrunners (incorporated by reference to [Exhibit 10.1 of the NiSource Inc. Form 8-K](#) filed on April 1, 2020).
- (10.41) 2020 Omnibus Incentive Plan (incorporated by reference to [Exhibit A to the NiSource Inc. Definitive Proxy Statement to Stockholders for the Annual Meeting held on May 19, 2020](#), filed on April 13, 2020).*
- (10.42) Settlement Agreement, dated July 2, 2020, by and among Bay State Gas Company d/b/a Columbia Gas of Massachusetts, NiSource Inc., Eversource Gas Company of Massachusetts, Eversource Energy, the Massachusetts Attorney General's Office, the Massachusetts Department of Energy Resources the Low-Income Weatherization and Fuel Assistance Program Network (incorporated by reference to [Exhibit 10.1 of the NiSource Inc. Form 8-K](#) filed on July 6, 2020).
- (10.43) Form of Restricted Stock Unit Award Agreement for Nonemployee Directors under the 2020 Omnibus Incentive Plan (incorporated by reference to [Exhibit 10.2 of the NiSource Inc. Form 10-Q](#) filed on August 5, 2020).*
- (10.44) Addendum to Plea Agreement filed on or about June 21, 2020 in the United States District Court for the District of Massachusetts (incorporated by reference to [Exhibit 10.4 of the NiSource Inc. Form 10-Q](#) filed on August 5, 2020).
- (10.45) Letter Agreement by and among NiSource Inc., Bay State Gas Company d/b/a Columbia Gas of Massachusetts and Eversource Energy Relating to Asset Purchase Agreement, dated October 9, 2020 (incorporated by reference to [Exhibit 10.3 to the NiSource Inc. Form 10-Q](#) filed on November 2, 2020).***
- (10.46) NiSource Inc. Supplemental Executive Retirement Plan, as amended and restated effective November 1, 2020 (incorporated by reference to [Exhibit 10.4 to the NiSource Inc. Form 10-Q](#) filed on November 2, 2020).*
- (10.47) Pension Restoration Plan for NiSource Inc. and Affiliates, as amended and restated effective November 1, 2020 (incorporated by reference to [Exhibit 10.5 to the NiSource Inc. Form 10-Q](#) filed on November 2, 2020).
- (10.48) Savings Restoration Plan for NiSource Inc. and Affiliates, as amended and restated effective November 1, 2020 (incorporated by reference to [Exhibit 10.6 to the NiSource Inc. Form 10-Q](#) filed on November 2, 2020).*
- (10.49) NiSource Inc. Executive Severance Policy, as amended and restated effective October 19, 2020 (incorporated by reference to [Exhibit 10.7 to the NiSource Inc. Form 10-Q](#) filed on November 2, 2020).*
- (10.50) NiSource Next Voluntary Separation Program, effective as of August 5, 2020 (incorporated by reference to [Exhibit 10.8 to the NiSource Inc. Form 10-Q](#) filed on November 2, 2020).*

- (10.51) Letter Agreement dated October 19, 2020 by and between NiSource Inc. and Carrie Hightman (incorporated by reference to [Exhibit 10.9 to the NiSource Inc. Form 10-Q](#) filed on November 2, 2020).*
- (10.52) Amendment to Settlement Agreement by and among Bay State Gas Company d/b/a Columbia Gas of Massachusetts, NiSource Inc., Eversource Gas Company of Massachusetts, Eversource Energy, the Massachusetts Attorney General's Office, the Massachusetts Department of Energy Resources and the Low-Income Weatherization and Fuel Assistance Program Network, dated September 29, 2020 (incorporated by reference to [Exhibit 10.2 to the NiSource Inc. Form 10-Q](#) filed on November 2, 2020).
- (10.53) [Form of Restricted Stock Unit Award Agreement](#) * **
- (10.54) [Form of Performance Share Unit Award Agreement](#) * **
- (10.55) [Form of Special Performance Share Unit Award Agreement](#) * **
- (21) [List of Subsidiaries](#) **
- (23) [Consent of Deloitte & Touche LLP](#) **
- (31.1) [Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#) **
- (31.2) [Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#) **
- (32.1) [Certification of Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(furnished herewith\)](#) **
- (32.2) [Certification of Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(furnished herewith\)](#) **
- (101.INS) Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. **
- (101.SCH) Inline XBRL Schema Document. **
- (101.CAL) Inline XBRL Calculation Linkbase Document. **
- (101.LAB) Inline XBRL Labels Linkbase Document. **
- (101.PRE) Inline XBRL Presentation Linkbase Document. **
- (101.DEF) Inline XBRL Definition Linkbase Document. **
- (104) Cover page Interactive Data File (formatted as inline XBRL, and contained in Exhibit 101.)

* Management contract or compensatory plan or arrangement of NiSource Inc.

** Exhibit filed herewith.

*** Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. NiSource agrees to furnish supplementally a copy of any omitted schedules or exhibits to the SEC upon request.

References made to NIPSCO filings can be found at Commission File Number 001-04125. References made to NiSource Inc. filings made prior to November 1, 2000 can be found at Commission File Number 001-09779.

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

NiSource Inc.

(Registrant)

Date: February 17, 2021 By: /s/ JOSEPH HAMROCK
Joseph Hamrock
President, Chief Executive Officer and Director
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>/s/ JOSEPH HAMROCK</u> Joseph Hamrock	President, Chief Executive Officer and Director (Principal Executive Officer)	<u>Date: February 17, 2021</u>
<u>/s/ DONALD E. BROWN</u> Donald E. Brown	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	<u>Date: February 17, 2021</u>
<u>/s/ GUNNAR J. GODE</u> Gunnar J. Gode	Vice President and Chief Accounting Officer (Principal Accounting Officer)	<u>Date: February 17, 2021</u>
<u>/s/ KEVIN T. KABAT</u> Kevin T. Kabat	Chairman of the Board	<u>Date: February 17, 2021</u>
<u>/s/ PETER A. ALTABEF</u> Peter A. Altabef	Director	<u>Date: February 17, 2021</u>
<u>/s/ THEODORE H. BUNTING, JR.</u> Theodore H. Bunting, Jr.	Director	<u>Date: February 17, 2021</u>
<u>/s/ ERIC L. BUTLER</u> Eric L. Butler	Director	<u>Date: February 17, 2021</u>
<u>/s/ ARISTIDES S. CANDRIS</u> Aristides S. Candris	Director	<u>Date: February 17, 2021</u>
<u>/s/ WAYNE S. DEVEYDT</u> Wayne S. DeVeydt	Director	<u>Date: February 17, 2021</u>
<u>/s/ DEBORAH A. HENRETTA</u> Deborah A. Henretta	Director	<u>Date: February 17, 2021</u>
<u>/s/ DEBORAH A.P. HERSMAN</u> Deborah A. P. Hersman	Director	<u>Date: February 17, 2021</u>
<u>/s/ MICHAEL E. JESANIS</u> Michael E. Jesanis	Director	<u>Date: February 17, 2021</u>
<u>/s/ CAROLYN Y. WOO</u> Carolyn Y. Woo	Director	<u>Date: February 17, 2021</u>
<u>/s/ LLOYD M. YATES</u> Lloyd M. Yates	Director	<u>Date: February 17, 2021</u>

NiSource Inc.
20__ Omnibus Incentive Plan

20__ Restricted Stock Unit Award Agreement

This Restricted Stock Unit Award Agreement (the “Agreement”), is made and entered into as of [_____] (the “Grant Date”), by and between NiSource Inc., a Delaware corporation (the “Company”), and [_____] an Employee of the Company or an Affiliate (the “Grantee”), pursuant to the terms of the NiSource Inc. 20__ Omnibus Incentive Plan, as amended (the “Plan”). Any term capitalized but not defined in this Agreement shall have the meaning set forth in the Plan.

Section 1. Restricted Stock Unit Award. The Company hereby grants to the Grantee, on the terms and conditions hereinafter set forth, an Award of [_____] Restricted Stock Units. The Restricted Stock Units shall be represented by a bookkeeping entry (the “RSU Account”) of the Company, and each Restricted Stock Unit shall be equivalent to one share of the Company’s common stock.

Section 2. Grantee Accounts. The number of Restricted Stock Units granted pursuant to this Agreement shall be credited to the Grantee’s RSU Account. Each RSU Account shall be maintained on the books of the Company until full payment of the balance thereof has been made to the Grantee (or the Grantee’s beneficiaries or estate if the Grantee is deceased) in accordance with Section 1 above. No funds shall be set aside or earmarked for any RSU Account, which shall be purely a bookkeeping device.

Section 3. Vesting and Lapse of Restrictions.

- (a) Vesting. Subject to the forfeiture conditions described later in this Agreement, the Restricted Stock Units shall vest [_____] (the “Vesting Date”), at which date they shall become 100% vested, provided that the Grantee is continuously employed by the Company through and including the Vesting Date. Except as set forth in subsection (b) hereof, if Grantee’s Service is terminated for any reason prior to the Vesting Date, the unvested Restricted Stock Units subject to this Agreement shall immediately terminate and be automatically forfeited by Grantee.
- (b) Effect of Termination of Service Prior to Vesting. Notwithstanding the foregoing, in the event that the Grantee’s Service terminates prior to the Vesting Date as a result of (i) the Grantee’s Retirement, (ii) the Grantee’s death, or (iii) the Grantee’s Disability, the restrictions set forth in subsection (a) above shall lapse with respect to a *pro rata* portion of such Restricted Stock Units on the date of termination of Service. Such *pro rata* lapse of restrictions shall be determined using a fraction, where the numerator shall be the number of full or partial calendar months elapsed between the Grant Date and the date the Grantee terminates Service, and the denominator shall be the number of full or partial calendar months between the Grant Date and the Vesting Date. For purposes of this Agreement, “Retirement” means the Grantee’s termination from Service at or after attainment of age 55 and completion of at least 10 years of continuous

Service measured from the Grantee's most recent date of hire with the Company or an Affiliate.

- (c) **Change in Control.** Notwithstanding the foregoing provisions, in the event of a Change in Control, the Restricted Stock Units under this Agreement shall be subject to the Change in Control provisions set forth in the Plan. In the event of any conflict between the Plan and this Agreement, the Plan shall control. Notwithstanding any other agreement between the Company and the Grantee, the "Good Reason" definition set forth in the Plan shall govern this award. Notwithstanding the foregoing or anything herein to the contrary, in the event the Restricted Stock Units do not become Alternative Awards under the Plan, then the Restricted Stock Units shall be settled within 60 days following the Change in Control; provided, however, in the event the Restricted Stock Units constitute nonqualified deferred compensation subject to Code Section 409A and the Change in Control is not a "change in control event" within the meaning of Code Section 409A, then, to the extent required to comply with Code Section 409A, the vested Restricted Stock Units shall be settled within 60 days following the Vesting Date or, if earlier and subject to Section 4, upon Grantee's termination of Service.

Section 4. Delivery of Shares. Once Restricted Stock Units have vested under this Agreement, the Company shall convert the Restricted Stock Units in the Grantee's RSU Account into Shares and issue or deliver the total number of Shares due to the Grantee within 60 days following the Vesting Date or, if earlier, Grantee's termination of Service in accordance with Section 3(b). Notwithstanding the foregoing, to the extent any portion of the Restricted Stock Units are subject to Code Section 409A, if any Restricted Stock Units vest prior to the Vesting Date in connection with a Grantee's "separation from service" within the meaning of Code Section 409A and the Grantee is a "specified employee" within the meaning of Code Section 409A at the time of such separation from service, the Shares represented by the vested Restricted Stock Units shall be issued and delivered on the first business day after the date that is six (6) months following the date of the Grantee's separation from service (or if earlier, the Grantee's date of death). The delivery of the Shares shall be subject to payment of the applicable withholding tax liability and the forfeiture provisions of this Agreement. If the Grantee dies before the Company has distributed any portion of the vested Restricted Stock Units, the Company shall transfer any Shares payable with respect to the vested Restricted Stock Units in accordance with the Grantee's written beneficiary designation or to the Grantee's estate if no written beneficiary designation is provided.

Section 5. Withholding of Taxes. As a condition precedent to the delivery to Grantee of any Shares upon vesting of the Restricted Stock Units, Grantee shall, upon request by the Company, pay to the Company such amount of cash as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Restricted Stock Units. If Grantee shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Grantee or withhold Shares. Grantee may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (a) a cash

payment to the Company; (b) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole Shares having a Fair Market Value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Restricted Stock Units (the "Tax Date"), equal to the Required Tax Payments; (c) authorizing the Company to withhold from the Shares otherwise to be delivered to Grantee upon the vesting of the Restricted Stock Units, a number of whole Shares having a Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments; or (d) any combination of (a), (b) and (c). Shares to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a Share which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by Grantee. No Shares shall be delivered until the Required Tax Payments have been satisfied in full.

Section 6. Compliance with Applicable Law. Notwithstanding anything contained herein to the contrary, the Company's obligation to issue or deliver certificates evidencing the Restricted Stock Units shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. The delivery of all or any Shares that relate to the Restricted Stock Units shall be effective only at such time that the issuance of such Shares shall not violate any state or federal securities or other laws. The Company is under no obligation to effect any registration of Shares under the Securities Act of 1933 or to effect any state registration or qualification of the Shares that may be issued under this Agreement. Subject to Code Section 409A, the Company may, in its sole discretion, delay the delivery of Shares or place restrictive legends on Shares in order to ensure that the issuance of any Shares shall be in compliance with federal or state securities laws and the rules of any exchange upon which the Company's Shares are traded. If the Company delays the delivery of Shares in order to ensure compliance with any state or federal securities or other laws, the Company shall deliver the Shares at the earliest date at which the Company reasonably believes that such delivery shall not cause such violation, or at such later date that may be permitted under Code Section 409A.

Section 7. Restriction on Transferability. Except as otherwise provided under the Plan, until the Restricted Stock Units have vested under this Agreement, the Restricted Stock Units granted herein and the rights and privileges conferred hereby may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated (by operation of law or otherwise), other than by will or the laws of descent and distribution. Any attempted transfer in violation of the provisions of this paragraph shall be void, and the purported transferee shall obtain no rights with respect to such Restricted Stock Units.

Section 8. Grantee's Rights Unsecured. The right of the Grantee or his or her beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Grantee nor his or her beneficiary shall have any rights in or against any amounts credited to the Grantee's RSU Account or any other specific assets of the Company. All amounts credited to the Grantee's RSU Account shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes, as it may deem appropriate.

Section 9. No Rights as Stockholder or Employee.

- (a) Unless and until Shares have been issued to the Grantee, the Grantee shall not have any privileges of a stockholder of the Company with respect to any Restricted Stock Units subject to this Agreement, nor shall the Company have any obligation to issue any dividends or otherwise afford any rights to which Shares are entitled with respect to any such Restricted Stock Units.
- (b) Nothing in this Agreement or the Award shall confer upon the Grantee any right to continue as an Employee of the Company or any Affiliate or to interfere in any way with the right of the Company or any Affiliate to terminate the Grantee's Service at any time.

Section 10. Adjustments. If at any time while the Award is outstanding, the number of outstanding Restricted Stock Units is changed by reason of a reorganization, recapitalization, stock split or any of the other events described in the Plan, the number and kind of Restricted Stock Units shall be adjusted in accordance with the provisions of the Plan. In the event of certain corporate events specified in the Change in Control provisions of the Plan, any Restricted Stock Units may be replaced by Alternative Awards or forfeited in exchange for payment of cash in accordance with the Change in Control procedures and provisions of the Plan.

Section 11. Notices. Any notice hereunder by the Grantee shall be given to the Company in writing and such notice shall be deemed duly given only upon receipt thereof at the following address: Corporate Secretary, NiSource Inc., 801 East 86th Avenue, Merrillville, IN 46410-6271, or at such other address as the Company may designate by notice to the Grantee. Any notice hereunder by the Company shall be given to the Grantee in writing and such notice shall be deemed duly given only upon receipt thereof at such address as the Grantee may have on file with the Company.

Section 12. Administration. The administration of this Agreement, including the interpretation and amendment or termination of this Agreement, shall be performed in accordance with the Plan. All determinations and decisions made by the Committee, the Board, or any delegate of the Committee as to the provisions of this Agreement shall be conclusive, final, and binding on all persons. Notwithstanding the foregoing, if subsequent guidance is issued under Code Section 409A that would impose additional taxes, penalties, or interest to either the Company or the Grantee, the Company may administer this Agreement in accordance with such guidance and amend this Agreement without the consent of the Grantee to the extent such actions, in the reasonable judgment of the Company, are considered necessary to avoid the imposition of such additional taxes, penalties, or interest.

Section 13. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Indiana, without giving effect to the choice of law principles thereof.

Section 14. Entire Agreement; Agreement Subject to Plan. This Agreement and the Plan contain all of the terms and conditions with respect to the subject matter hereof and supersede any previous agreements, written or oral, relating to the subject matter hereof. This Agreement at all times shall be governed by the Plan, which is incorporated in this Agreement by reference, and

in no way alter or modify the Plan. To the extent a conflict exists between this Agreement and the Plan, the provisions of the Plan shall govern. This Agreement is pursuant to the terms of the Plan.

Section 15. Code Section 409A Compliance. This Agreement shall be interpreted in accordance with Code Section 409A including the rules related to payment timing for “specified employees” within the meaning of Code Section 409A. This Agreement shall be deemed to be modified to the maximum extent necessary to be in compliance with Code Section 409A’s rules. If the Grantee is unexpectedly required to include in the Grantee’s current year’s income any amount of compensation relating to the Restricted Stock Units because of a failure to meet the requirements of Code Section 409A, then to the extent permitted by Code Section 409A, the Grantee may receive a distribution of cash or Shares in an amount not to exceed the amount required to be included in income as a result of the failure to comply with Code Section 409A.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Award to be granted, and the Grantee has accepted this Award, as of the date first above written.

NiSource Inc.

By:
Its:

NiSource Inc.
20__ Omnibus Incentive Plan
20__ Performance Share Unit Award Agreement

This Performance Share Unit Award Agreement (the “Agreement”) is made and entered into as of _____ (the “Grant Date”), by and between NiSource Inc., a Delaware corporation (the “Company”), and _____ an Employee of the Company or an Affiliate (the “Grantee”), pursuant to the terms of the NiSource Inc. 20__ Omnibus Incentive Plan, as amended (the “Plan”). Any term capitalized but not defined in this Agreement shall have the meaning set forth in the Plan.

Section 1. Performance Share Unit Award. The Company hereby grants to the Grantee, on the terms and conditions hereinafter set forth, a target award of [TOTAL TARGET NUMBER] Performance Share Units. The Performance Share Units shall be represented by a bookkeeping entry with respect to the Grantee (the “PSU Account”), and each Performance Share Unit shall be settled in one Share, to the extent provided under this Agreement and the Plan. This Agreement and the award shall be null and void unless the Grantee accepts this Agreement electronically within the Grantee’s stock plan account with the Company’s stock plan administrator according to the procedures then in effect.

Section 2. Performance-Based Vesting Conditions.

- (a) **General.** Subject to the remainder of this Agreement, the Performance Share Units shall vest pursuant to the terms of this Agreement and the Plan based on the achievement of the performance goals set forth in this Section 2 over the performance period beginning on _____ and ending on _____ (the “Performance Period”), provided that that the Grantee remains in continuous Service through _____ (the “Vesting Date”). Attainment of the performance goals shall be determined and certified by the Compensation Committee of the Board of Directors of the Company (the “Committee”) prior to the settlement of the Performance Share Units.
- (b) **Financial Performance Goal.** Subject to the terms of this Agreement and the Plan, [INSERT TARGET NUMBER OF NOEPS SHARES] of the Performance Share Units shall be eligible to vest based on the Company’s achievement of cumulative NOEPS during the Performance Period, as follows:

Performance Level(1)	Cumulative NOEPS	Percentage of Performance Share Units Eligible for Vesting(2)
Trigger	\$ _____	_____
Target	\$ _____	_____
Stretch	\$ _____ and above	_____

- (1) The vesting percentage for performance between performance levels shall be determined based on linear interpolation.

(2) The number of Performance Share Units that shall vest based on the Company’s cumulative NOEPS performance shall be subject to a performance magnifier as described below.

(3) Performance Magnifier. Subject to the terms of this Agreement and the Plan, the number of Performance Share Units eligible for vesting pursuant to Section 2(b) shall be adjusted based on the following schedule:

Performance Measure	Goal(1)	Magnifier(2)

(1) The vesting percentage for performance between performance levels shall be determined based on linear interpolation.

(2) Based on whether the Company achieves or fails to achieve the applicable performance goal, Performance Share Units eligible for vesting pursuant to Sections 2(b) shall be increased or decreased in accordance with the percentages noted above.

(c) RTSR Performance Goal. Subject to the terms of this Agreement and the Plan, [INSERT TARGET NUMBER OF RTSR SHARES] of the Performance Share Units shall be eligible to vest based on the Company’s achievement of RTSR during the Performance Period, as follows:

Performance Level(1)	RTSR Percentile Ranking	Percentage of Performance Share Units Eligible for Vesting(2)
Trigger	_____	_____
Target	_____	_____
Stretch	_____ and above	_____

(1) The vesting percentage for performance between performance levels shall be determined based on linear interpolation.

(2) The number of Performance Share Units that shall vest based on the Company’s RTSR performance shall be subject to a performance magnifier as described below.

(3) Performance Magnifier. Subject to the terms of this Agreement and the Plan, the number of Performance Share Units eligible for vesting pursuant to Section 2(c) shall be adjusted based on the following schedule:

Performance Measure	Goal(1)	Magnifier(2)

(1) The vesting percentage for performance between performance levels shall be determined based on linear interpolation.

- (2) Based on whether the Company achieves or fails to achieve the applicable performance goal, Performance Share Units eligible for vesting pursuant to Section 2(c) shall be increased or decreased in accordance with the percentages noted above.
- (d) Maximum Vesting Level. Notwithstanding anything herein to the contrary, including performance determined under Sections 2(b)(3) and 2(c)(3), the maximum vesting level under this Award shall be capped at 200% of the target Performance Share Units.
- (e) Definitions.
- (i) “cumulative NOEPS” means the Company’s cumulative net operating earnings per share, as reported in the Company’s annual financial statements. Additional adjustments to cumulative net operating earnings per share shall be made to the targets and results for: (x) transactions that the Company discloses on Form 8-K filed with the Securities and Exchange Commission, including merger, acquisition, divestiture, consolidation or corporate restructuring, any recapitalization, reorganization, spin-off, split-up, combination, liquidation, dissolution, sale of assets or similar corporate transactions that meet the Company’s disclosure thresholds; (y) pending transactions as a result of requirements to present operations as “held for sale” under Accounting Standard Codification 205; and (z) changes in law or accounting principles, in each case, as determined by the Committee.
 - (ii) “RTSR” means the annualized growth in the dividends and share price of a Share, calculated using a 20 day trading average of the Company’s closing price beginning on _____ and ending _____ compared to the TSR performance of the TSR Peer Group. The starting and ending share prices for the computation of RTSR shall equal the average closing price of each company’s common stock over the 20 trading days immediately preceding the first and last day of the performance period.
 - (iii) “TSR Peer Group” means the peer group of companies approved by the Committee at its meeting on _____, as adjusted to reflect corporate transactions with respect to peer group companies as approved by the Committee at such meeting.

Section 3. Termination of Employment.

- (a) Termination of Service Prior to Vesting Date. Except as set forth below, if the Grantee’s Service is terminated for any reason prior to the Vesting Date, then the Grantee shall forfeit the Performance Share Units credited to the Grantee’s PSU Account.
- (b) Retirement, Disability or Death.
- (i) Notwithstanding the foregoing, in the event that the Grantee’s Service terminates prior to the Vesting Date as a result of the Grantee’s (i) Retirement, (ii) Disability, or (iii) death and such death occurs with less than or equal to twelve months remaining in the Performance Period, then the Grantee (or the Grantee’s beneficiary or estate in the case of the Grantee’s death) shall vest in

a *pro rata* portion of the Performance Share Units, based on the actual performance results for the Performance Period. Such *pro rata* portion of the Performance Share Units shall be determined by multiplying the number of Performance Share Units earned based on actual performance by a fraction, where the numerator shall equal the number of calendar months (including partial calendar months) that have elapsed from the Grant Date through the date of the Grantee's termination of Service, and the denominator shall be the number of calendar months (including partial calendar months) that have elapsed between the Grant Date and the Vesting Date.

- (ii) If the Grantee terminates Service due to death prior to the Vesting Date and with more than 12 months remaining in the Performance Period, then the Grantee's beneficiary or estate shall vest, on the date of termination, in a *pro rata* portion of the target Performance Share Units. Such *pro rata* portion of the Performance Share Units shall be determined by multiplying the number of target Performance Share Units by a fraction, where the numerator shall equal the number of calendar months (including partial calendar months) that have elapsed from the Grant Date through the date of the Grantee's termination of Service, and the denominator shall be the number of calendar months (including partial calendar months) that have elapsed between the Grant Date and the Vesting Date.
 - (iii) "**Retirement**" means the Grantee's termination from Service at or after attainment of age 55 and completion of at least 10 years of continuous Service measured from the Grantee's most recent date of hire with the Company or an Affiliate.
- (c) **Change in Control.** Notwithstanding the foregoing provisions, in the event of a Change in Control, the Performance Share Units under this Agreement shall be subject to the Change in Control provisions set forth in the Plan. In the event of any conflict between the Plan and this Agreement, the Plan shall control. Notwithstanding any other agreement between the Company and the Grantee, the "Good Reason" definition set forth in the Plan shall govern this award.

Section 4. Delivery of Shares. Subject to the terms of this Agreement and except as otherwise provided for herein, the Company shall convert the Performance Share Units in the Grantee's PSU Account into Shares and issue or deliver the total number of Shares due to the Grantee within 60 days following the Vesting Date (but in any event no later than the March 15th immediately following the year in which the substantial risk of forfeiture with respect to the Performance Share Units lapses) or, if earlier, within 30 days following (a) the Grantee's death in accordance with Section 3(b)(ii), (b) Grantee's termination of Service without Cause or due to Good Reason in accordance with the Change in Control provisions of the Plan or (c) a Change in Control in the event the Performance Share Units do not become Alternative Awards under the Plan. The delivery of the Shares shall be subject to payment of the applicable withholding tax liability and the forfeiture provisions of this Agreement. If the Grantee dies before the Company has issued or distributed the vested Performance Share Units, the Company shall transfer any Shares with respect to the vested Performance Share Units in accordance with the Grantee's written beneficiary designation or to the Grantee's estate if no written beneficiary designation is provided. The issuance or deliver of the Shares hereunder shall be evidenced

by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance or delivery, except as otherwise provided in Section 5.

Section 5. Withholding of Taxes. As a condition precedent to the delivery to Grantee of any Shares upon vesting of the Performance Share Units, Grantee shall, upon request by the Company, pay to the Company such amount of cash as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Performance Share Units. If Grantee shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Grantee or withhold Shares. Grantee may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (a) a cash payment to the Company; (b) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole Shares having a Fair Market Value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Performance Share Units (the "Tax Date"), equal to the Required Tax Payments; (c) authorizing the Company to withhold from the Shares otherwise to be delivered to Grantee upon the vesting of the Performance Share Units, a number of whole Shares having a Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments; or (d) any combination of (a), (b) and (c). Shares to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a Share which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by Grantee. No Shares shall be delivered until the Required Tax Payments have been satisfied in full.

Section 6. Compliance with Applicable Law. Notwithstanding anything contained herein to the contrary, the Company's obligation to issue or deliver certificates evidencing the Performance Share Units shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. The delivery of all or any Shares that relate to the Performance Share Units shall be effective only at such time that the issuance of such Shares shall not violate any state or federal securities or other laws. The Company is under no obligation to effect any registration of Shares under the Securities Act of 1933 or to effect any state registration or qualification of the Shares that may be issued under this Agreement. Subject to Code Section 409A, the Company may, in its sole discretion, delay the delivery of Shares or place restrictive legends on Shares in order to ensure that the issuance of any Shares shall be in compliance with federal or state securities laws and the rules of any exchange upon which the Company's Shares are traded. If the Company delays the delivery of Shares in order to ensure compliance with any state or federal securities or other laws, the Company shall deliver the Shares at the earliest date at which the Company reasonably believes that such delivery shall not cause such violation, or at such later date that may be permitted under Code Section 409A.

Section 7. Restriction on Transferability. Except as otherwise provided under the Plan, until the Performance Share Units have vested under this Agreement, the Performance Share Units granted herein and the rights and privileges conferred hereby may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated (by operation of law or otherwise), other than by will or the laws of descent and distribution. Any attempted transfer in violation of the provisions of this

paragraph shall be void, and the purported transferee shall obtain no rights with respect to such Performance Share Units.

Section 8. Grantee's Rights Unsecured. The right of the Grantee or his or her beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Grantee nor his or her beneficiary shall have any rights in or against any amounts credited to the Grantee's PSU Account, any Shares or any other specific assets of the Company. All amounts credited to the Grantee's PSU Account shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate.

Section 9. No Rights as Stockholder or Employee.

- (a) Unless and until Shares have been issued to the Grantee, the Grantee shall not have any privileges of a stockholder of the Company with respect to any Performance Share Units subject to this Agreement, nor shall the Company have any obligation to issue any dividend or otherwise afford any rights to which Shares are entitled with respect to any such Performance Share Units.
- (b) Nothing in this Agreement or the Award shall confer upon the Grantee any right to continue as an Employee of the Company or any Affiliate or to interfere in any way with the right of the Company or any Affiliate to terminate the Grantee's Service at any time.

Section 10. Adjustments. If at any time while the Award is outstanding, the number of outstanding Performance Share Units is changed by reason of a reorganization, recapitalization, stock split or any of the other events described in the Plan (in each case as determined by the Committee), the number and kind of Performance Share Units and the performance goals, as applicable, shall be adjusted in accordance with the provisions of the Plan. In the event of certain corporate events specified in the Change in Control provisions of the Plan, any Performance Share Units may be replaced by Alternative Awards or forfeited in exchange for payment of cash in accordance with the Change in Control procedures and provisions of the Plan, as determined by the Committee.

Section 11. Notices. Any notice hereunder by the Grantee shall be given to the Company in writing, and such notice shall be deemed duly given only upon receipt thereof at the following address: Corporate Secretary, NiSource Inc., 801 East 86th Avenue, Merrillville, IN 46410-6271 (or at such other address as the Company may designate by notice to the Grantee). Any notice hereunder by the Company shall be given to the Grantee in writing, and such notice shall be deemed duly given only upon receipt thereof at such address as the Grantee may have on file with the Company.

Section 12. Administration. The administration of this Agreement, including the interpretation and amendment or termination of this Agreement, shall be performed in accordance with the Plan. All determinations and decisions made by the Committee, the Board, or any delegate of the Committee as to the provisions of this Agreement shall be conclusive, final, and binding on all persons. Notwithstanding the foregoing, if subsequent guidance is issued under Code Section 409A that would impose additional taxes, penalties, or interest to either the Company or the Grantee, the Company may administer this Agreement in accordance with such guidance and amend this Agreement without the consent of the Grantee to the extent such actions, in the reasonable judgment of the Company, are considered necessary to avoid the imposition of such additional taxes, penalties, or interest.

Section 13. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Indiana, without giving effect to the choice of law principles thereof.

Section 14. Entire Agreement; Agreement Subject to Plan. This Agreement and the Plan contain all of the terms and conditions with respect to the subject matter hereof and supersede any previous agreements, written or oral, relating to the subject matter hereof. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. The Grantee hereby acknowledges receipt of a copy of the Plan.

Section 15. Code Section 409A Compliance. This Agreement and the Performance Share Units granted hereunder are intended to be exempt from Code Section 409A to the maximum extent possible, and shall be interpreted and construed accordingly.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused the Performance Share Units subject to this Agreement to be granted, and the Grantee has accepted the Performance Share Units subject to the terms of the Agreement, as of the date first above written.

NiSource Inc.

By: _____
Its: _____

NiSource Inc.

20__ Omnibus Incentive Plan

20__ Performance Share Unit Award Agreement

This Performance Share Unit Award Agreement (the “Agreement”) is made and entered into as of _____ (the “Grant Date”), by and between NiSource Inc., a Delaware corporation (the “Company”), and _____ an Employee of the Company or an Affiliate (the “Grantee”), pursuant to the terms of the NiSource Inc. 20__ Omnibus Incentive Plan, as amended (the “Plan”). Any term capitalized but not defined in this Agreement shall have the meaning set forth in the Plan.

Section 1. Performance Share Unit Award. The Company hereby grants to the Grantee, on the terms and conditions hereinafter set forth, a target award of [TOTAL TARGET NUMBER] Performance Share Units. The Performance Share Units shall be represented by a bookkeeping entry with respect to the Grantee (the “PSU Account”), and each Performance Share Unit shall be settled in one Share, to the extent provided under this Agreement and the Plan. This Agreement and the award shall be null and void unless the Grantee accepts this Agreement electronically within the Grantee’s stock plan account with the Company’s stock plan administrator according to the procedures then in effect.

Section 2. Performance-Based Vesting Conditions.

- (a) **General.** Subject to the remainder of this Agreement and the Grantee remaining in continuous Service through the 28th day of February that follows each applicable Performance Period (each, a “Vesting Date”), the Performance Share Units shall vest in accordance with the schedule set forth below, based on the Company’s RTSR performance over the _____ through _____ performance period (the “3-Year Performance Period”); provided, however, that the vesting of a portion of the Performance Share Units may be accelerated based on the Company’s RTSR performance over the _____ through _____ performance period (the “2-Year Performance Period” and, together with the 3-Year Performance Period, the “Performance Periods”) in accordance with the schedule set forth below. Notwithstanding the foregoing, the number of Performance Share Units eligible for vesting based on performance during the 2-Year Performance Period shall be limited to the product of: 67% multiplied by the target Performance Share Units multiplied by the vesting percentage determined based on the schedule below (the “2-Year Cap”). The number of Performance Share Units eligible for vesting based on the Company’s RTSR performance during the 3-Year Performance Period shall be reduced by the number of Performance Share Units that vested and were settled with respect to the 2-Year Performance Period. For the avoidance of doubt, any Performance Share Units that vested and were settled with respect to the 2-Year Performance Period shall not, subject to Section 20.10 of the Plan, be reduced based on performance during the 3-Year Performance Period.

(b)

Performance Level(1)	RTSR Percentile Ranking	Percentage of Performance Share Units Eligible for Vesting(2)
Trigger	_____	_____
Target	_____	_____
Stretch	_____ and above	_____

- (1) The vesting level for performance between performance levels shall be determined based on linear interpolation.
- (2) The number of Performance Share Units that shall vest based on the Company’s RTSR performance shall be subject to (a) a performance magnifier as described in Section 2(b) below and (b) with respect to Performance Share Units that vest during the 2-Year Performance Period, the 2-Year Cap.
- (c) Performance Magnifier. Subject to the terms of this Agreement and the Plan, the number of Performance Share Units eligible for vesting pursuant to Section 2(a) shall be adjusted based on the following schedule based on performance during the applicable Performance Period:

Performance Measure	Goal(1)	Magnifier(2)

- (1) The vesting level for performance between performance levels shall be determined based on linear interpolation.
- (2) Based on whether the Company achieves or fails to achieve the applicable performance goal, Performance Share Units eligible for vesting pursuant to Section 2(a) shall be increased or decreased in accordance with the percentages noted above, with any increase with respect to the 2-Year Performance Period, subject to the 2-Year Cap.
- (d) Maximum Vesting Level. Notwithstanding anything herein to the contrary, including performance determined under Section 2(b), the maximum vesting level under this Award shall be capped at 200% of the target Performance Share Units.
- (e) Definitions.

- (i) “RTSR” means the annualized growth in the dividends and share price of a Share, calculated using a 20 day trading average of the Company’s closing price beginning on _____ and ending _____ compared to the TSR performance of the TSR Peer Group. The starting and ending share prices for the computation of RTSR shall equal the average closing price of each company’s common stock over the 20 trading days immediately preceding the first and last day of the performance period.
- (ii) “TSR Peer Group” means the peer group of companies approved by the Committee at its meeting on _____, as adjusted to reflect corporate transactions with respect to peer group companies as approved by the Committee at such meeting.

Section 3. Termination of Employment.

- (a) Termination of Service Prior to Vesting Date. Except as set forth below, if the Grantee's Service is terminated for any reason prior to the Vesting Date then the Grantee shall forfeit the unvested Performance Share Units credited to the Grantee's PSU Account.
- (b) Retirement, Disability or Death.
- (i) Notwithstanding the foregoing, in the event that the Grantee's Service terminates prior to the Vesting Date as a result of the Grantee's (i) Retirement, (ii) Disability, or (iii) death and such death occurs with less than or equal to twelve months remaining in the Performance Period, then the Grantee (or the Grantee's beneficiary or estate in the case of the Grantee's death) shall vest in a *pro rata* portion of the Performance Share Units, based on the actual performance results for the applicable Performance Period. Such *pro rata* portion of the Performance Share Units with respect to each Performance Period shall be determined by multiplying the number of Performance Share Units earned based on actual performance by a fraction, where the numerator shall equal the number of calendar months (including partial calendar months) that have elapsed from the Grant Date through the date of the Grantee's termination of Service, and the denominator shall be the number of calendar months from the Grant Date and the applicable Vesting Date, with any Performance Share Units vesting with respect to the 2-Year Performance Period pursuant to this Section 3(b)(i) subject to the 2-Year Cap.
 - (ii) If the Grantee terminates Service due to death prior to the Vesting Date and with more than 12 months remaining in the 3-Year Performance Period, then the Grantee's beneficiary or estate shall vest, on the date of termination, in a *pro rata* portion of the target Performance Share Units. Such *pro rata* portion of the Performance Share Units shall be determined by multiplying the number of target Performance Share Units by a fraction, where the numerator shall equal the number of calendar months (including partial calendar months) that have elapsed from the Grant Date through the date of the Grantee's termination of Service, and the denominator shall be the number of calendar months (including partial calendar months) that have elapsed between the Grant Date and the Vesting Date.
 - (iii) "Retirement" means the Grantee's termination from Service at or after attainment of age 55 and completion of at least 10 years of continuous Service measured from the Grantee's most recent date of hire with the Company or an Affiliate.
- (c) Change in Control. Notwithstanding the foregoing provisions, in the event of a Change in Control, the Performance Share Units under this Agreement shall be subject to the Change in Control provisions set forth in the Plan. In the event of any conflict between the Plan and this Agreement, the Plan shall control. Notwithstanding any

other agreement between the Company and the Grantee, the “Good Reason” definition set forth in the Plan shall govern this award.

Section 4. Delivery of Shares. Subject to the terms of this Agreement and except as otherwise provided for herein, the Company shall convert the Performance Share Units in the Grantee’s PSU Account into Shares and issue or deliver the total number of Shares due to the Grantee within 60 days following the applicable Vesting Date (but in any event no later than the March 15th immediately following the year in which the substantial risk of forfeiture with respect to the Performance Share Units lapses) or, if earlier, within 30 days following (a) the Grantee’s death in accordance with Section 3(b)(ii), (b) Grantee’s termination of Service without Cause or due to Good Reason in accordance with the Change in Control provisions of the Plan or (c) a Change in Control in the event the Performance Share Units do not become Alternative Awards under the Plan. The delivery of the Shares shall be subject to payment of the applicable withholding tax liability and the forfeiture provisions of this Agreement. If the Grantee dies before the Company has issued or distributed the vested Performance Share Units, the Company shall transfer any Shares with respect to the vested Performance Share Units in accordance with the Grantee’s written beneficiary designation or to the Grantee’s estate if no written beneficiary designation is provided. The issuance or deliver of the Shares hereunder shall be evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance or delivery, except as otherwise provided in Section 5.

Section 5. Withholding of Taxes. As a condition precedent to the delivery to Grantee of any Shares upon vesting of the Performance Share Units, Grantee shall, upon request by the Company, pay to the Company such amount of cash as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the “Required Tax Payments”) with respect to the Performance Share Units. If Grantee shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Grantee or withhold Shares. Grantee may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (a) a cash payment to the Company; (b) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole Shares having a Fair Market Value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Performance Share Units (the “Tax Date”), equal to the Required Tax Payments; (c) authorizing the Company to withhold from the Shares otherwise to be delivered to Grantee upon the vesting of the Performance Share Units, a number of whole Shares having a Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments; or (d) any combination of (a), (b) and (c). Shares to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a Share which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by Grantee. No Shares shall be delivered until the Required Tax Payments have been satisfied in full.

Section 6. Compliance with Applicable Law. Notwithstanding anything contained herein to the contrary, the Company’s obligation to issue or deliver certificates evidencing the Performance Share Units shall be subject to all applicable laws, rules and regulations, and to such approvals by any

governmental agencies or national securities exchanges as may be required. The delivery of all or any Shares that relate to the Performance Share Units shall be effective only at such time that the issuance of such Shares shall not violate any state or federal securities or other laws. The Company is under no obligation to effect any registration of Shares under the Securities Act of 1933 or to effect any state registration or qualification of the Shares that may be issued under this Agreement. Subject to Code Section 409A, the Company may, in its sole discretion, delay the delivery of Shares or place restrictive legends on Shares in order to ensure that the issuance of any Shares shall be in compliance with federal or state securities laws and the rules of any exchange upon which the Company's Shares are traded. If the Company delays the delivery of Shares in order to ensure compliance with any state or federal securities or other laws, the Company shall deliver the Shares at the earliest date at which the Company reasonably believes that such delivery shall not cause such violation, or at such later date that may be permitted under Code Section 409A.

Section 7. Restriction on Transferability. Except as otherwise provided under the Plan, until the Performance Share Units have vested under this Agreement, the Performance Share Units granted herein and the rights and privileges conferred hereby may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated (by operation of law or otherwise), other than by will or the laws of descent and distribution. Any attempted transfer in violation of the provisions of this paragraph shall be void, and the purported transferee shall obtain no rights with respect to such Performance Share Units.

Section 8. Grantee's Rights Unsecured. The right of the Grantee or his or her beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Grantee nor his or her beneficiary shall have any rights in or against any amounts credited to the Grantee's PSU Account, any Shares or any other specific assets of the Company. All amounts credited to the Grantee's PSU Account shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate.

Section 9. No Rights as Stockholder or Employee.

- (a) Unless and until Shares have been issued to the Grantee, the Grantee shall not have any privileges of a stockholder of the Company with respect to any Performance Share Units subject to this Agreement, nor shall the Company have any obligation to issue any dividend or otherwise afford any rights to which Shares are entitled with respect to any such Performance Share Units.
- (b) Nothing in this Agreement or the Award shall confer upon the Grantee any right to continue as an Employee of the Company or any Affiliate or to interfere in any way with the right of the Company or any Affiliate to terminate the Grantee's Service at any time.

Section 10. Adjustments. If at any time while the Award is outstanding, the number of outstanding Performance Share Units is changed by reason of a reorganization, recapitalization, stock split or any of the other events described in the Plan (in each case as determined by the Committee), the number and kind of Performance Share Units and the performance goals, as applicable, shall be adjusted in accordance with the provisions of the Plan. In the event of certain corporate events specified in the Change in Control provisions of the Plan, any Performance Share Units may be

replaced by Alternative Awards or forfeited in exchange for payment of cash in accordance with the Change in Control procedures and provisions of the Plan, as determined by the Committee.

Section 11. Notices. Any notice hereunder by the Grantee shall be given to the Company in writing, and such notice shall be deemed duly given only upon receipt thereof at the following address: Corporate Secretary, NiSource Inc., 801 East 86th Avenue, Merrillville, IN 46410-6271 (or at such other address as the Company may designate by notice to the Grantee). Any notice hereunder by the Company shall be given to the Grantee in writing, and such notice shall be deemed duly given only upon receipt thereof at such address as the Grantee may have on file with the Company.

Section 12. Administration. The administration of this Agreement, including the interpretation and amendment or termination of this Agreement, shall be performed in accordance with the Plan. All determinations and decisions made by the Committee, the Board, or any delegate of the Committee as to the provisions of this Agreement shall be conclusive, final, and binding on all persons. Notwithstanding the foregoing, if subsequent guidance is issued under Code Section 409A that would impose additional taxes, penalties, or interest to either the Company or the Grantee, the Company may administer this Agreement in accordance with such guidance and amend this Agreement without the consent of the Grantee to the extent such actions, in the reasonable judgment of the Company, are considered necessary to avoid the imposition of such additional taxes, penalties, or interest.

Section 13. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Indiana, without giving effect to the choice of law principles thereof.

Section 14. Entire Agreement; Agreement Subject to Plan. This Agreement and the Plan contain all of the terms and conditions with respect to the subject matter hereof and supersede any previous agreements, written or oral, relating to the subject matter hereof. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. The Grantee hereby acknowledges receipt of a copy of the Plan.

Section 15. Code Section 409A Compliance. This Agreement and the Performance Share Units granted hereunder are intended to be exempt from Code Section 409A to the maximum extent possible, and shall be interpreted and construed accordingly.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused the Performance Share Units subject to this Agreement to be granted, and the Grantee has accepted the Performance Share Units subject to the terms of the Agreement, as of the date first above written.

NiSource Inc.

By: _____
Its: _____

SUBSIDIARIES OF NISOURCE

as of December 31, 2020

Segment/Subsidiary

	State of Incorporation
GAS DISTRIBUTION OPERATIONS	
Bay State Gas Company d/b/a Columbia Gas of Massachusetts	Massachusetts
Central Kentucky Transmission Company	Delaware
Columbia Gas of Kentucky, Inc.	Kentucky
Columbia Gas of Maryland, Inc.	Delaware
Columbia Gas of Ohio, Inc.	Ohio
Columbia Gas of Pennsylvania, Inc.	Pennsylvania
Columbia Gas of Virginia, Inc.	Virginia
NiSource Gas Distribution Group, Inc.	Delaware
ELECTRIC OPERATIONS	
Northern Indiana Public Service Company LLC*	Indiana
RoseWater Wind Generation LLC	Indiana
RoseWater Wind Farm LLC	Delaware
Indiana Crossroads Wind Generation LLC	Indiana
Dunn's Bridge I Solar Generation LLC	Delaware
Dunn's Bridge II Solar Generation LLC	Delaware
Cavalry Solar Generation LLC	Delaware
Elliot Solar Generation LLC	Delaware
Fairbanks Solar Generation LLC	Delaware
Indiana Crossroads Solar Generation LLC	Delaware
CORPORATE AND OTHER OPERATIONS	
Columbia Gas of Ohio Receivables Corporation	Delaware
Columbia Gas of Pennsylvania Receivables Corporation	Delaware
NIPSCO Accounts Receivable Corporation	Indiana
NiSource Corporate Group, LLC	Delaware
NiSource Corporate Services Company	Delaware
NiSource Development Company, Inc.	Indiana
NiSource Energy Technologies, Inc.	Indiana
NiSource Strategic Sourcing Inc.	Ohio
NiSource Insurance Corporation, Inc.	Utah
Lake Erie Land Company	Indiana
NiSource Retail Services, Inc.	Delaware (Inactive)
EnergyUSA-TPC, Inc.	Indiana (Inactive)

* Reported under Gas Distribution Operations and Electric Operations.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-234422 on Form S-3, Registration Statement Nos. 333-107743, 333-166888, 333-228102, 333-233382, 333-238501, 333-248405 on Form S-8, and Registration Statement Nos. 333-228790 and 333-228791 on Form S-4 of our reports dated February 17, 2021, relating to the consolidated financial statements of NiSource Inc. and subsidiaries (the “Company”) and the effectiveness of the Company’s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2020.

/s/ DELOITTE & TOUCHE LLP
Columbus, Ohio
February 17, 2021

**Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Joseph Hamrock, certify that:

1. I have reviewed this Annual Report on Form 10-K of NiSource Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

By:

/s/ Joseph Hamrock
Joseph Hamrock
President and Chief Executive Officer

**Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of NiSource Inc. (the "Company") on Form 10-K for the year ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Hamrock, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Joseph Hamrock

Joseph Hamrock
President and Chief Executive Officer

Date: February 17, 2021

**Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of NiSource Inc. (the "Company") on Form 10-K for the year ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald E. Brown, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Donald E. Brown

Donald E. Brown

Executive Vice President, Chief Financial Officer, and President of NiSource
Corporate Services

Date: February 17, 2021